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Agenda items 2, 3, 4(a), 4(b) and 5

Sessional Committee

DRAFT REPORT OF THE SESSIONAL COMMITTEE

Rapporteur: Mr. Jure Gasparic (Yugoslavia)

Addendum

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INTRODUCTION

(i) At its 766th (opening) meeting, on 12 March 1990, the Trade and Development Board decided, without setting a precedent for future sessions, to establish one Sessional Committee to consider and report on agenda items 2, 3, 4(a), 4(b) and 5.

(ii) The Board also decided that the negotiation of texts emanating from the Sessional Committee could be conducted in a separate forum, such as the President's Contact Group or a working group of the Sessional Committee - to be determined in the light of requirements and agreed by the President of the Board with the Chairman of the Sessional Committee.

(iii) At its 1st and 2nd meetings, on 12 and 13 March 1990, the Sessional Committee elected its bureau as follows:

Chairman:	Mr. M. Hecker (Federal Republic of Germany)
Vice-Chairman:	Mr. M. Hovorka (Czechoslovakia)
Vice-Chairman-cum-Rapporteur:	Mr. J. Gasparic (Yugoslavia)

(iv) In the course of the session, the Sessional Committee held seven plenary meetings.

[(v) At its ..... (closing) meeting, on .. March 1990, the Sessional Committee adopted its draft report (TD/B/SC/L. ...) and authorized the Rapporteur to complete the report to reflect the proceedings of its closing meeting. The Sessional Committee also recommended that its report be incorporated, as appropriate, in the final report of the Board on the second part of its thirty-sixth session.]

Chapter II

PROTECTIONISM AND STRUCTURAL ADJUSTMENT AND, IN CONJUNCTION THEREWITH, DEVELOPMENTS AND ISSUES IN THE URUGUAY ROUND OF PARTICULAR CONCERN TO DEVELOPING COUNTRIES, IN ACCORDANCE WITH PARAGRAPH 105 (8) OF THE FINAL ACT

(Agenda item 3)

1. For its consideration of agenda item 3, the Board had before it the following documents:

"Problems of protectionism and structural adjustment" - report by the UNCTAD secretariat (TD/B/1240 and Add.1)

"Information provided by States members of UNCTAD for the annual review by the Board on protectionism and structural adjustment" - note by the UNCTAD secretariat (TD/B/1245 and Add. 1-2)

"Communication dated 6 March 1990 received from the Permanent Representative of Nigeria to the United Nations Office in Geneva" - note by the UNCTAD secretariat (TD/B/1251)

"Developments and issues in the Uruguay Round" - note by the UNCTAD secretariat (TD/B/(XXXVI)/CRP.6)

Consideration in the Sessional Committee

2. Introducing item 3, the Director, Co-ordinator of International Trade Programmes said that strong expansion of world exports and sustained economic growth in the developed market-economy countries had been encouraging features of developments in the world economy for the fourth consecutive year. Economic activity had, on the other hand, remained depressed in many developing countries which had not shared in the global economic expansion.

3. He noted with concern that protectionism in the developed market-economy countries had not abated to any significant extent and tended to be strongest with regard to products of export interest to developing countries. The most disquieting feature of the continued recourse to trade restrictions was the large number of non-tariff measures (NTMs) which had been introduced in recent years. Many others which were due to expire had been renewed. Remedial action had long been overdue. While the entire question of market access and how to improve it was of course the central issue of the Uruguay Round of multilateral trade negotiations, it remained to be seen how far these negotiations would succeed in improving the access of developing countries to the markets of the industrialized countries.

4. He believed that emphasis on market access alone would prove one-sided and inadequate. The structural policies of the developed countries could do still more to facilitate the movement of resources from mature production sectors, where comparative advantage was shifting in favour of developing countries, towards new opportunites. Their structural policies needed to address adjustment problems in all economic sectors with equal determination. Agriculture had clearly remained one of the most distorted economic sectors. Structural change and adjustment in industrial sectors of developed countries were influenced by many strands of economic policy. Thus, labour market policies, technology policies and policies to stimulate growth within regions adversely affected by structural change could provide significant support to a dynamic process of efficient adjustment and adaptation in the developed countries. Awareness of the importance of structural policies was seemingly growing, but much more remained to be done.

5. He noted that constraints on trade arising from barriers to market access and slow structural adjustment in developed countries had generally been compounded by constraints on the supply side in the developing countries. A large number of these countries had been reorienting their trade policies with the aim of strengthening their competitiveness in world markets. Even countries facing severe debt-servicing difficulties had liberalized their trade régime in more recent years. However, the trade and other economic policies of the developed countries continued to influence crucially the vagaries of international trade. Moreover, adequate financial aid and other external finance, provided in accordance with development priorities, and the development of technology remained essential to ensure a continued enlargement of internationally competitive supply capabilities of the developing economies.

6. Observing that political and economic reforms in Eastern Europe were proceeding at a rapid pace, he said that the establishment of new orientations for trade and co-operation with the countries of Eastern Europe had become an important dimension of global economic strategy. The changes that were taking place would certainly have implications for the developing countries. A transformation of the productive capacities of the countries of Eastern Europe in the wake of economic reforms could offer new vistas to the developing countries for mutually beneficial relationships. However, one could not ignore the problems which developing countries might face in trade and other economic areas as a result of these changes.

7. Turning to the topic of developments and issues in the Uruguay Round, he said that the multilateral trade negotiations (MTNs) were reaching a critical period in which the components of the final package were about to be negotiated. The time was thus ripe for the Board to exercise its mandate on this issue. For that purpose, the secretariat had circulated a note (TD/B/(XXXVI)/CRP.6) which summarized the progress and current state of play in the 15 Negotiating Groups and made some general observations. Recalling the terms of paragraph 105 (7) of the Final Act of UNCTAD VII concerning the development benefits of a balanced outcome to the Uruguay Round - an aspect of particular concern to the Board - he said that the question of balance arose as between the market access negotiations and those aimed at more normative issues, and the credibility of the negotiations depended to a large extent on their ability to maintain the momentum towards the liberalization of world trade and improved access to markets, particularly for the exports of developing countries. While liberalization would have to ensure a balance of interests among participating countries, priority should be given to sectors such as textiles and clothing and tropical products. In agriculture, solutions should take account of the problems faced by those developing countries which were net food importers, and of the special role of agriculture in the economies and societies of the developing countries.

8. Given the fact that the Uruguay Round was concentrating on the negotiation of new disciplines in trade relations that made the attainment of balance an objective of the utmost priority, the acceptance of increasingly stringent disciplines by all trading partners could only be viable if it applied in such a way as not to be more onerous on some countries than on others, given the differences in stages of economic development. Care should be taken to ensure that disciplines did not serve to inhibit developing countries from using trade policies as a component of coherent development strategies. It would also be important to avoid the loosening of disciplines on recourse to trade restrictive measures, while tightening them in other areas of trade policy. More stringent disciplines were especially required to consolidate and prevent any further erosion of the unconditional most-favoured-nation principle, while eliminating the possibility of resort to discriminatory trade measures.

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9. The attainment of a balanced result had become even more crucial and difficult in the "new issues" in the Uruguay Round - i.e. trade-related aspects of intellectual property rights (TRIPS), trade related investment measures (TRIMs) and trade in services. With the more pronounced North-South character in these areas arising from the dramatic asymmetry in situations between developed and developing countries with respect to such factors as their ownership of capital, their technological and infrastructural development, the size and competitiveness of their enterprises and their roles as "host" or "home" countries for transnational corporations in these areas, the thrust of many proposals was to establish new disciplines to incorporate the rights of property-owners into the multilateral trading system. If balance was to be attained, any agreement that incorporated such elements should be matched by corresponding obligations upon these property-owners, and the rights of property-holders would have to be balanced by mechanisms which ensured that such property rights did not conflict with public policy, including development objectives.

10. In the negotiations of a multilateral framework for trade in services it had been recognized that the definition of trade in services could include the cross-border movement of factors of production essential to the provision of the service. Balance would have to involve the factors concerned -i.e. capital and labour - since liberalizing flows of capital while restricting flows of labour would serve to reduce the returns of the latter factor and would particularly penalize developing countries. The mutual acceptance of disciplines could only achieve a balanced result to the negotiations when such disciplines took into full account the differences in levels of development and other asymmetrical situations among the parties concerned. The inclusion of differential and more favourable treatment - a guiding principle in the negotiations - was designed to ensure that negotiations aimed at mutual advantage could succeed despite the asymmetry in the situation of developed and developing countries.

11. Referring to the importance of full implementation of the standstill and rollback commitments, he recalled that one of the purposes of the standstill commitment was to prevent any country from imposing, or threatening to impose, trade measures to improve its negotiating positions vis-à-vis other participants in the negotiations. Countries accepting agreements under duress might later be tempted to circumvent them. A durable result would require respect for the spirit as well as the letter.

12. Given its scope and pace, it has been difficult to arrive at an overall view of the balance in the evolution of the Uruguay Round. Each participating Government would have to make its own assessment of the balance of benefits that it would obtain from the Round, but if the question of overall balance was not considered multilaterally before the close of the Round many countries might find it difficult both to assess the final outcome and to adhere to it when the Round came to an end in December 1990. In recognition of this problem and to ensure the effective application of differential and more favourable treatment, Ministers had agreed at Punta del Este to conduct an evaluation of the results attained in the negotiations before their formal completion, in light of the objectives and principles set out in the Uruguay Round Declaration, taking into account all issues of interest to less-developed contracting parties.

13. Finally, he recalled that the Final Act of UNCTAD VII requested the UNCTAD secretariat to provide technical assistance to developing countries to facilitate their effective participation in the negotiations. It was encouraging to note that developing countries had found this technical assistance very useful and that UNDP had expressed its confidence in UNCTAD's work, as demonstrated by the resources which it had made available.

14. The spokesman for the Group of 77 (India), pointing to the developments taking place in the world such as changes in the countries of Eastern Europe and the impending integration of the EEC market, said that the review of protectionism and structural adjustment against this background assumed greater significance and showed the need for greater responsibility in ensuring that such events impart a new dynamism to the international trading system and particularly to the trade and development of developing countries. Unfortunately, during the period since the last review, the international trading environment continued to show no signs of improvement. Despite sustained economic growth and commitments undertaken on rollback and standstill while launching the Uruguay Round of MTNs, protectionism in developed market-economy countries continued to grow without any sign of abatement. Non-tariff measures which should have expired in previous years had been renewed and a significant number of new non-tariff measures had also been introduced in the wake of the Uruguay Round, in contravention of the commitments on standstill and rollback of protectionism. As a result, the overall share of developing countries in total world exports in 1988 had declined to 20.1 per cent from 24.1 per cent in 1985. He cited figures to

show that this growing protectionism in the developed world was responsible in large measure for the decline in the overall trade performance of developing countries in Africa and Latin America, and in particular the least developed countries. The only silver lining was the steady increase in the export performance of South-East Asian countries and, to some extent, in South Asia.

15. He recalled the major trade interventions which had been made in recent years by various developed countries and alluded in particular to United States actions under Section 301 which he felt eroded the multilateral trading system and amounted to a violation of the standstill commitment undertaken at Punta del Este. Such recourse to unilateral action had undermined the vitality of multilateralism and had vitiated the spirit of ongoing multilateral trade negotiations. A large number of countries, both developed and developing, had expressed legitimate concerns in appropriate forums over the erosive effects of such unilateralism and bilateralism. Another issue of concern in the trade-policy area was the tendency in recent years on the part of some developed countries to seek linkages between trade in goods and other areas, such as foreign direct investment, protection of intellectual property and services.

16. The Group of 77 appreciated the UNCTAD secretariat's work in updating its previous study of trends in anti-dumping and countervailing duty actions in developed market-economy countries. The share of new investigations involving developing countries had doubled from 20 per cent during the period 1980-1982 to 40 per cent in 1986-1988, and affected a total of 38 developing countries. Moreover, the trade effects of such investigations were per se restrictive, irrespective of the results of such investigations. He added that voluntary export restraints (VERs) were becoming one of the major policy instruments for protecting domestic sectors. Bearing in mind the serious dimension of this problem, his Group suggested that UNCTAD should analyse on a regular basis the economic effects of VERs.

17. It was also disconcerting that non-tariff measures were directed towards developing countries to a greater extent than towards other developed market-economy countries. This negative preference, in sharp contrast to the commitments of preferential treatment, had vastly undercut the export potential of developing countries. NTMs in developed market-economy countries had affected trade worth $US 205 billion during 1989. The continuing proliferation of NTMs amply substantiated the fact that commitments on rollback and standstill undertaken by developed countries had not been fulfilled.

18. In sharp contrast to the growing protectionism in the developed world, it was heartening to note from TD/B/1240 that developing countries had continued in 1989 their efforts at liberalization. Such policy reforms were being pursued by those countries despite the colossal problems of indebtedness, chronic adverse terms of trade and acute scarcity of foreign exchange which afflicted their economies. In many of these countries these reforms had imposed a heavy toll on their socio-economic life and at times threatened their political stability. In contrast, the growing demands for protectionism and increasing resort to managed trade clearly indicated that hardly any progress had been made in pursuing appropriate structural adjustment policies in the developed countries. The process of restructuring in developed market-economy countries continued to be thwarted, particularly in those sectors where developing countries had a comparative advantage - namely textiles, clothing, agricultural products, consumer electronics, iron and steel, automobiles and components, and footwear. Individual developing countries were heavily - and in some cases solely - dependent for their export earnings on one or two of these sectors. During the 1980s the policies of developed countries towards imports of textiles and clothing had been more restrictive than in all other industrial sectors. Consequently, the overwhelming comparative advantage achieved by developing countries had been profoundly eroded, thus severely crippling their export-earning capacities. Given these facts, there was clearly an urgent need for phasing out restrictions under the MFA and for integrating trade in textiles and clothing into the GATT system, as agreed in paragraph 105 (12) of the Final Act of UNCTAD VII. The second sector on which developing countries were heavily dependent for export earnings was agriculture, which was again another fortress of protectionism. Vast resources were being misallocated in the developed countries to protect and maintain their non-competitive agricultural sector at the cost of efficient producers in developing countries. Protective policies had not only reduced or shut off the traditional markets for developing countries but had also displaced them from third-country markets through subsidized exports from OECD countries.

19. The spokesman for Group B (Netherlands) welcomed the sweeping political and economic changes in the countries of Eastern Europe and the greater freedom these changes had brought to the people of those countries. He hoped that these developments would accelerate the movement towards Eastern Europe's

greater integration in the world economy. These developments were also very relevant to the Board's discussion on protectionism and structural adjustment, particularly as regards the structural adjustment process.

20. He said that, as in the past, the report by the secretariat (TD/B/1240 and Add.1) stressed in detail the restrictive actions taken by developed countries, focusing on the EEC and the United States of America, and touched on general liberalization actions taken by developing countries. It was a fact that many developing countries had undertaken serious and far-reaching tariff reductions which, however, were mostly unbound. Nevertheless, the fact that developing countries on average continued to maintain levels of protection a good deal higher, in the form of both high unbound tariffs and NTMs, than did the developed market-economy countries was not dealt with in the main body of the report, and was only partially reflected in the statistical annex. TD/B/1240, moreover, devoted barely one page to the key issue of structural adjustment in developing countries. The section devoted to developments in the foreign trade régimes of Eastern European countries was very brief and had been overtaken by the fast evolution of events in recent months, which had continued to accentuate liberalizing steps and efforts to enhance the role of the market mechanism. He suggested that UNCTAD should follow more closely the process of integration of the Eastern European countries into the world economy. It would be conducive to a genuine debate on development if there were a change in the excessive degree of selectivity in the coverage of countries.

21. He considered that trade measures and their impact should be assessed in an objective and careful way. There had been some progress in this regard in the secretariat's documentation. Paragraphs 64 and 67 of the report indicated that the value of world exports expressed in United States dollars had increased quite markedly since 1985, reflecting both strong volume growth and price increases, and that, if there was no increase in protectionist actions in the developed market-economy countries, world trade in 1989 and 1990 would continue on a favourable trend with perhaps a slight deceleration of growth rates. In paragraph 112, moreover, it was noted that in volume terms the exports of developing countries had grown strongly in 1988 and 1989, accentuating a trend that had begun in 1986. The share of developing countries in world exports of manufactures had also increased in recent years. These observations, and the detailed presentations of trade measures in the report, seemed to contrast somewhat with the judgements in the concluding section of the report. Paragraph 113, for instance, stated that protectionism in developed market-economy countries had not abated to any significant extent. Paragraph 118 went one step further and asserted that

managed trade was gaining ground. Group B considered, however, that given the figures on import coverage ratios presented in the statistical annex in tables I.3 to I.5, it was not possible to sustain the case that protectionism had increased. Although it could be argued that the growth rates of developing countries mentioned earlier could have been even higher in the absence of trade-restrictive measures, he felt that the secretariat's conclusions tended to neglect the important progress made in the developed market-economy countries' structural adjustment.

22. He noted that the report touched briefly on the most significant trend of the last decade: in economic terms, the countries of South and, in particular, South-East Asia had continued to outperform other developing countries. Group B therefore shared the view expressed by the secretariat that the rich experience of developing countries with efforts to accelerate changes in production structures deserved a closer analysis. His Group also agreed that South-South trade and South-East trade were far from living up to their potential (cf. para. 123 of the report). The incidence of barriers in developing countries on the possibilities of South-South trade clearly merited further analysis by the secretariat and debate in the Board.

23. He recalled the declaration adopted on the occasion of the 25th anniversary of UNCTAD, which stated (para. 4) that the main substantive challenge facing UNCTAD was to bring fresh thinking to bear on long-standing problems and new areas of concern, with a view to promoting innovative policy measures. In line with the above, his Group believed that rapidly changing realities called for conceptual innovation.

24. He believed that rapid technological change, the shifts in comparative advantage including among developing countries, the growing role of trade in economic growth, the growth role of the services sector in national economies, the fact that policies in countries in all parts of the world were making use of market signals in promoting entrepreneurial initiative and competitiveness, the increasing role of regional integration, and the globalization of markets offered new opportunities and challenges for development. At the same time there was a higher risk of marginalization of countries whose fragile economies, or inappropriate policies, made them unable to generate sufficient per capita economic growth. Apart from conceptual innovation, a more open and flexible dialogue was needed in which specific national perspectives and interests were brought to bear more directly on debates and negotiations. Group B stood ready to engage in such a dialogue.

25. The debate on protectionism and structural adjustment had, in his Group's view, become a routine exercise during which the fast changes in the real world had so far trickled down only slowly in the documentation and debates. In seeking to introduce greater dynamism to the debate, his Group would like to suggest the following:

(a) An improvement in the coverage of countries, both in the documentation and in the protectionism and structural adjustment debate, as agreed in the Final Act of UNCTAD VII;

(b) A widening of the scope of the protectionism and structural adjustment debate, devoting more attention to structural trends in comparative advantage and economic reforms or adjustment in all countries. Special attention should also be given to the problems faced by the least developed and other low-income countries in this area;

(c) In this connection it was desirable that the Board and its Committee on Manufactures should offer regular opportunities to explore, in a systematic way and on a regular basis, the policy implications of the diversity of growth and development experiences in different countries, as called for in the 25th anniversary declaration. The decision adopted in November 1989 by the Committee on Manufactures also laid down important guidelines for future work.

26. Finally, as discussed in a preliminary and informal way during the pre-sessional consultations, Group B welcomed the intention of the Secretary-General to submit a proposal for improving the substantive debates in UNCTAD, in line with the successful debate on interdependence at the first part of the thirty-sixth session of the Board.

27. Turning to the Uruguay Round, he expressed the understanding of Group B that, since the MTNs aimed to bring about further liberalization and expansion of world trade to the benefit of all countries, especially developing countries, the developing countries participating in Punta del Este had expressed the expectation that their capacity to make contributions or negotiated concessions would improve with the progressive developments of their economies and improvement in their trade situation, and that they would accordingly expect to participate more fully in the framework of rights and obligations under the GATT. If the Uruguay Round was to fulfil its mandate, it would need to lead to a high level of commitments in all areas and by all participants. As the Uruguay Round was now at a critical stage and some delicate negotiations would begin or continue over the next few weeks, due

note was taken of the concerns expressed by a number of developing countries about the present state of play in the Round and he stated that these concerns were taken very seriously. The special situation of the least developed countries was recognized and their increased interest in participation in the Uruguay Round was welcomed.

28. In noting the important progress made by several developing countries in autonomously liberalizing their trade régimes, he pointed out that not all developing countries had been willing or able to pursue such a policy. While recognizing development needs, he said that it was regrettable if those developing countries which maintained high levels of protection were to remain aloof from the process of give-and-take which was the reality of the Uruguay Round. A tendency to stay apart could influence the design and composition of MFN concessions by other parties. The ensuing loss of benefit in the form of potential trade expansion would affect negatively the capacity to deal with financial disequilibria in the short term, and the long-term prospects for keeping pace with the fast-changing patterns of comparative advantage in the world. A balanced, broadly-based and substantive outcome of the Uruguay Round was also a crucial factor in the containment of pressures towards increased protectionism in all its forms. The smaller or weaker trading nations would be the first to suffer if this containment failed. Finally, he said that the Group B countries were ready to fulfil the commitments they had entered into at the inception and during the course of the MTNs, including on standstill and rollback, and they were prepared to continue to negotiate constructively in the Uruguay Round to achieve an outcome that would benefit all parties.

29. The spokesman for Group D (Hungary) said that protectionism and structural adjustment issues lay at the centre of discussions on international trade. Group D recognized the useful work UNCTAD had been doing in that field, in accordance with its mandate, to contribute to improved understanding among all participants in world trade. He noted that the strong overall growth in global output and in international trade had continued in 1989. However, the contribution to, and the benefits from, those favourable trends remained uneven among the various countries and regions. OECD countries as well as South and South-East Asian countries had registered impressive performances, while the economic situation of a large number of others had not improved perceivably or, especially in the case of African countries, had even worsened. This uneven performance was the result of a complex interplay of external and internal factors. Developments in the world economy had further

accentuated the importance of national structural adjustment efforts and of a supportive international trading environment. Group D shared the view that adequate responses to market signals were essential for successful structural adjustment. However, those signals were often distorted by trade policies and practices. Various more or less sophisticated forms of protectionist measures affected a far too large share of trade flows. Tables I.4 and I.5 in TD/B/1240/Add.1 showed that import coverage ratios of NTMs applied by developed market economy countries were particularly high in sectors such as food and live animals, iron and steel, textiles and clothing. In the latter two sectors, the high coverage ratios were coupled with a strong regional bias.

30. The multilateral trading system was under severe strains. In order to avoid its compartmentalization and the rule of managed trade, the international community should give full effect to the commitment to halt and reverse protectionism. The Uruguay Round of MTNs in GATT played a crucial role. A successful outcome of the Round would be instrumental in reinvigorating international trade relations, whereas its failure would lead to the collapse of multilateral economic co-operation. At the final and most difficult stage of the negotiations no efforts should be spared in order to achieve results which would match the sincere wishes of those who had launched the Round. The rapid changes under way in Group D countries had attracted world-wide attention. The pace, character and framework of the reforms varied from country to country. Therefore, individual delegations would give an account of developments in their national economies, as appropriate. Although differences might occur among Group D countries in the perception of, and the terminology used for, the economic model they were aiming at, all of them shared the basic objective of creating a viable economic structure responsive to the challenges of the world economy. Radical restructuring of their national economies would inevitably entail economic and social tensions in the short term. Such internal problems were likely to affect the external economic relations of the countries concerned. However, he was confident that the perspectives opened up by the economic and political changes would more than compensate for the short-term difficulties, and that the success of the reforms in Group D countries was in the best interest of the whole international community. The full integration of the countries in this region into the network of international trade and economic relations required the support of other countries, but would in turn open up new possibilities for strengthened international economic co-operation.

31. The representative of China noted that, in spite of the continued growth of the world economy, the Uruguay Round, and the efforts made by the developing countries towards trade liberalization, protectionism in the developed countries had not abated to any significant extent in recent years. Their commitment to standstill and rollback had not been fulfilled. The protectionist policies pursued by the major economic powers had in effect distorted international trade. It was regrettable to find that the protectionism was now more discriminatory and had become legalized and institutionalized, and that non-tariff barriers were gradually replacing tariff barriers to become a principal tool for protectionism. The situation was worse for products of particular interest to developing countries. Some developed countries had taken positive measures in recent years to improve their trade relations with the developing countries, but the benefits had been limited as many products of vital interest to the developing countries were not covered by these measures. China hoped that the developed countries would fulfil their commitments and contribute to the promotion of international trade, and in particular the exports of the developing countries.

32. He observed that the developing countries had made considerable efforts in industrial structural adjustment during the 1980s. As a result, progress had been achieved in such areas as iron and steel, automobiles and components, consumer electronics products and textiles and clothing, enabling these countries to increase their export capacity and to develop their industrial base. However, the external environment gave cause for concern. The developed countries were confining themselves to their short-term interests and were giving financial and technical support to their own mature industries in which comparative advantage had shifted to the developing countries. They were attempting to restore the competitiveness they once had in these industries and to compete with the same type of products from the developing countries. China hoped that the developed countries would cede to the developing countries the sectors in which they had already lost comparative advantage.

33. He said that China had achieved relatively rapid progress in economic and trade development in recent years, thanks to its policies of reform and opening its economy to the outside world. However, because of the repeated use of restrictive measures by the developed countries, and especially the increasing number of anti-dumping cases levelled against his country, China

had become one of the countries most victimized by protectionism. He therefore hoped that the developed countries would take effective action to eliminate all unjust and discriminatory protectionist measures.

34. Commenting on developments in the Uruguay Round, he said that progress in the negotiations on different items seemed to be uneven. While negotiations on items of concern to developed countries such as trade in services, TRIPs and TRIMs had achieved notable progress, items of interest to the developing countries such as textiles, agriculture and natural resources-based products were either progressing sluggishly or not at all. This situation could not be viewed as normal and could even be said to be dangerous. It was hoped that within the remaining time and through the earnest efforts of all participants, the Uruguay Round would achieve results which were satisfactory to all parties and which would really improve the international trading system.

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Addendum

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Chapter II

PROTECTIONISM AND STRUCTURAL ADJUSTMENT AND, IN CONJUNCTION THEREWITH, DEVELOPMENTS AND ISSUES IN THE URUGUAY ROUND OF PARTICULAR CONCERN TO DEVELOPING COUNTRIES, IN ACCORDANCE WITH PARAGRAPH 105 (8) OF THE FINAL ACT

(Agenda item 3) (continued)

35. The representative of the European Economic Community (EEC) said that, although the secretariat report (TD/B/1240) was thought-provoking, it contained a number of imbalances, particularly as regards important developments in State-trading and developing countries. He also noted that in some aspects the report was too pessimistic. The on-going Uruguay Round, in conjunction with the steps being taken by the developing and State-trading countries to move towards open, liberal economies, gave considerable grounds for optimism. He did not subscribe to the view that many structural adjustment efforts in developed economies were being made at the expense of the developing countries. The agreement reached between the EEC and 68 African, Caribbean and Pacific (ACP) countries at the end of 1989 (Lomé IV) had, among other innovations, improved preferential access to the Community. The Community's 1990 GSP scheme had introduced improvements in the agricultural sector and continued the policy of concentrating preferential treatment on the less competitive developing countries. As from 1990, Hungary and Poland were being granted preferential access for a transitional period.

36. Referring to the exhaustive list of border measures introduced by the Community and its member States since the Punta del Este Declaration (TD/B/1240/Add.1, table 1), he said that a significant number of these measures concerned surveillance measures which had no impact on trade. Furthermore, most of these measures were temporary and had lapsed. He was particularly intrigued to see that the Community's directive which protected the health of Community consumers by banning the use of artificial hormones in meat and meat products, and which applied to both domestic production and imports, was regarded as a trade barrier. The secretariat report also referred to most of the liberalization measures taken by the Community and its member States. A number of quantitative restrictions affecting trade in tropical products had also been eliminated in the Community's first package in this sector at the mid-term review. Furthermore, a number of quantitive restrictions resulting from the accession of Spain and Portugal were being

dismantled more quickly than foreseen and a second package of measures concerning some State-trading countries was also envisaged. He felt that the unilateral liberalization efforts by the developing countries and, more recently, the State-trading countries deserved to be encouraged and supported.

37. With regard to the definition of non-tariff measures used in the report, he questioned whether surveillance measures, automatic licensing and anti-dumping actions should be considered as non-tariff measures even if they were grouped in a broad definition of NTMs. He also stressed the need to extend the survey beyond the developed market economies. With regard to the analysis of anti-dumping actions on developing countries trade in chapter III, he rejected the implication that anti-dumping actions had been on the increase in the Community, stating that the number of new investigations initiated had, with slight variations, remained stable since 1980. On the issue of voluntary export restraints (VERs), he said that the central problem was the inability of existing safeguard mechanisms to respond to structural adjustment needs.

38. With regard to the question of structural adjustment he noted an improvement in the international environment towards the end of the 1980s. Between 1988 and 1990, the Community's imports from developing countries had grown by 30 per cent, an increase slightly greater than EEC exports to the same countries. Over the same period, the Community's imports from developing countries of manufactured goods had increased by 86 per cent. A large part of these imports were in the sectors reviewed in chapter II of the secretariat report - sectors which were highlighted as being the particular object of trade restrictions imposed by developed countries. The evidence suggested that such measures did not have a large impact on trade flows.

39. The completion of the Community's internal market continued to give fresh impetus to structural adjustment in the Community. The prospect of a unified market had stimulated efforts to enhance the competitiveness of national economies by training the workforce in new skills and by making labour markets more flexible. In its analysis of the role of regional policies in structural adjustment the report recognized the great effort made by the Community through its Structural Funds to promote such changes. However, he did not share the view that the Community's regional policy could lead to investment flows into so-called mature industries in its less-developed regions and that this would be at the expense of developing countries. The Community's main aim in promoting development in those regions was to encourage investment in new sectors which had a future. He also noted that a number of sectors such

as steel, ship-building and certain textile sectors had been excluded from receiving regional aid. As for agriculture, he mentioned a number of important measures that the Community had taken to reform its agricultural policy, thus making a contribution to fair world trade.

40. The Community was playing a leading role in promoting constructive ways in which reforms under way in the countries of Central and Eastern Europe could be successful. However, he reassured the developing countries that this support would not deflect the Community from its efforts to achieve a strengthened open trading system in the Uruguay Round or to promote economic development, growth and trade liberalization in developing countries.

41. With regard to the Uruguay Round, he said that a successful outcome to the Round was the top priority of the EEC trade policy. The Community was looking in these negotiations for balanced compromise solutions based on the principle of consensus and globality. In market access groups, effective liberalization could be realized only if all participants contributed. The EEC attached great importance to negotiations in sectors such as dispute settlement, safeguards and Articles of GATT. The Community would also contribute to the progressive integration of textiles into the GATT during a transitional period on the basis of strengthened GATT rules and disciplines. On agriculture, he reaffirmed the EEC view that the proposal submitted by the Community in the Round was a good basis for moving forward with the reform of this sector of international trade, including aspects of particular importance to developing countries. The Community believed that a reliable legal framework, as well as commitment by all participants to progressive liberalization of trade in services, should be an integral part of the final outcome of the Uruguay Round.

42. The representative of Norway, speaking also on behalf of Finland and Sweden, noted that world trade was expanding considerably and that the general international political climate was improving. A number of forthcoming United Nations conferences would present opportunities and challenges to the international community in the discussion of trade and development. Global economic growth and expansion of world trade were positive elements, but the fact that many developing countries, in spite of this, had recorded sluggish or even negative growth rates gave cause for alarm.

43. The Nordic countries strongly supported an open international trading system governed by multilaterally agreed rules, and viewed with concern the scope for, and actual resort to, trade actions outside the multilateral framework. The Uruguay Round offered an invaluable opportunity to liberalize

world trade. The Nordic countries aimed at increased market access for developing-country exports, including in sectors of particular interest to them, and at a stregthening of the multilateral rules and regulations governing international trade. UNCTAD had played a constructive role vis-à-vis the negotiating process in GATT, and its inputs in the form of analyses and technical assistance should promote the continued active participation of developing countries.

44. Important gains for developing countries could result from the reforms under way in Eastern Europe, outweighing the possible disadvantages of any shorter-term diversion of interest and investment to those countries. However, that might be, the Nordic countries were committed to maintaining and deepening co-operation with developing countries. East European trade with developing countries could be enhanced by, inter alia, improved trade payments arrangements, full integration into the multilateral trading system, and extensions of the GSP schemes.

45. He noted that integration processes in certain industrialized countries had provoked a feeling of uncertainty in many countries. However, effective regional integration efforts, leading to increased economic growth, would have substantial trade-creating effects. Since the developing countries represented the fastest-growing market for their own exports, restrictions currently impeding trade among developing countries, should be reduced, and regional integration arrangements among them should be expanded in order to exploit more fully the potential of South-South trade and economic co-operation generally. In this context, he commended the SADCC countries for their efforts at domestic policy reform.

46. Structural adjustment was imperative to ensure long-term growth, but the adjustment process in developing countries could be threatened unless sufficient attention was paid to the effects on vulnerable groups. Delaying necessary action would involve extra costs. He noted with interest the policies that had been followed by the most successful developing countries.

47. The special session of the General Assembly on International Economic Co-operation and the International Development Strategy could not be seen in isolation from the activities in the specialized international bodies, such as UNCTAD and GATT. The implementation of the results of the Uruguay Round would be the most important event in the first part of the 1990s. Consequently, the International Development Strategy needed to be flexible enough to accommodate the results achieved in these specialized bodies.

48. Decisions on concrete action to support the development of the least developed countries could not be confined to the Second United Nations Conference on the Least Developed Countries. LDCs should be at the centre of attention in the Uruguay Round, in UNCTAD and in other multilateral forums and processes, including the preparation for the International Development Strategy and the special session of the United Nations General Assembly. All countries should make substantial concessions to the LDCs in the Uruguay Round.

49. Finally, he said that UNCTAD VIII should be an opportunity to enhance the role of UNCTAD as a forum for analysis, discussion and, where appropriate, negotiation in the field of trade and development. Technical assistance projects implemented by UNCTAD were particularly useful, and, to the extent that their high quality was maintained, there was scope for growth in these activities. UNCTAD was the body best suited to deal with environmental issues in the context of trade and development, and it should make substantial contributions to the vital international and inter-agency United Nations effort to promote sustainable development. He expected environmental concerns and implications to be properly reflected, inter alia, in the work leading up to and including UNCTAD VIII.

50. The representative of Austria regretted that the issue of structural adjustment in developing countries had not been dealt with at more length in the documentation of the secretariat. He noted that the secretariat was putting the emphasis on the wrong aspects, namely on the import controls rather than on the overriding issue of liberalization. Citing the Chilean experience, he disagreed with the secretariat belief that the trade régime adopted in that country had not been successful. On the contrary, around the middle of the 1980s, after experiencing a setback because of its highly over-valued currency, Chile had brought its exchange rate down to make its exports competitive and the situation had changed completely. He observed that Chile had been the only country in Latin America to have increased its per capita income in the 1980s, while at the same time reducing its foreign debt by about 20 per cent, and this without any special debt-reduction arrangements. The Chilean example demonstrated the decisive role of adequate exchange-rate policies in tandem with liberalization.

51. As for which policy instruments should be given preference, he felt that it did not matter so much which incentives were used by governments, provided they did not discriminate against exports in favour of production for the domestic market. There were two areas in which government policies could make

a decisive difference: investment in infrastructure and human development, and a good and efficient judicial system. In such conditions, the economy was liable to prosper, whether or not it was helped along by the stable, predictable and favourable trading environment mentioned in the secretariat report. He pointed out that the trading environment was dynamic and, as such, was not really predictable. He therefore failed to see how the concept of a stable trading environment could be transformed into a general guiding principle. He believed that the answer to the problems of developing countries was to be found rather in paragraph 66 of TD/B/1240, which stated that throughout the 1980s the developing countries had outperformed all other groups in the growth of manufactures. It was obvious, therefore, that economic development was going to take place in a dynamic, rather than a "stable, predictable and favourable" environment.

52. The representative of Switzerland said that the important structural adjustment measures and trade policy reforms undertaken in many developing countries testified to the importance of their efforts. Although in many instances the levels of tariff protection remained high, this process of liberalization was a step towards a more coherent and efficient multilateral trading system. So far these measures had been largely taken outside the GATT, and he invited developing countries to bind these measures in the GATT and industrialized countries to take this into account, particularly by making access to their markets easier. Increasing bilateral and regional co-operation could pioneer and contribute to the liberalization and expansion of world trade, provided that the rules adopted were in accordance with the GATT.

53. He said that the successful outcome of the Uruguay Round negotiations were in the interest of all countries concerned. A reliable and predictable legal framework should allow a greater expansion of trade, particularly for countries with less commercial power. Such a strengthening of the multilateral trading system was among the main preconditions for the economic growth of developing countries and the objectives laid down for the Uruguay Round would not be met without the participation of, and concessions from, every country, taking into account the financial and commercial capacities and the level of development of all partners. In that process, UNCTAD had an important role to play in stimulating thinking and an exchange of views, as well as in heightening awareness - a responsibility clearly recognized and accepted by UNCTAD in the declaration adopted at its 25th anniversary. It now

fell to member States to get to the core of the dialogue on protectionism and structural adjustment. The primary responsibility of each country for its own development was widely accepted, as was the common responsibility of all countries for the world economic development, as stated in the Final Act of UNCTAD VII. The industrialized countries, having the primary responsibility for upholding growth, should continue to improve the access to their markets. His country was ready to take up this challenge and to contribute to the dialogue with all partners.

54. The representative of Indonesia said that profound imbalances in the world economy continued to call for costly corrective measures. The world economy had undergone a series of crises with faltering growth rates, high rates of unemployment, volatility of exchange rates, alignment in currencies and increased protectionism. No important developments had taken place with regard to protectionism, and economic activity remained depressed in the developing countries. However, there had been some positive developments throughout the 1980s, notably the export growth of some developing countries. While aiming to maintain such growth, Indonesia was still concerned at the unstable international economic situation, and particularly at the increase in the trade-restrictive measures resorted to by the major developed countries. In this regard, he urged developed countries to reduce actions which tended to distort and further damage the capability of the developing countries to overcome all their chronic problems, such as the continuous negative transfer of resources and the shrinking export prospects.

55. He stated that economic reforms had been implemented in Indonesia and efforts were being made to sustain its economic growth. He hoped that these measures would, in turn, support the international trading environment. His Government had recently announced a new policy in the finance sector which would, inter alia, require at least 20 per cent of the commercial banks' lending to be allocated to co-operatives and small-scale enterprises.

56. Now that the Uruguay Round was nearing its conclusion, he urged the developed countries to recognize and give substance to the increasing world interdependence in order to enable all parties to benefit from fairer competition in international trade, as well as to overcome the outstanding problems of the developing countries which now hampered their progress.

57. The representative of the Democratic People's Republic of Korea said that nearly three years had passed since at UNCTAD VII member States had unanimously agreed to halt and reverse protectionism and to implement structural adjustment, in particular taking into account the export interests of developing countries. However, as pointed out in TD/B/1240/Add.1, since the adoption of the Punta del Este Declaration in September 1986, most of the developed countries had renewed non-tariff measures or had introduced new ones. He linked the decline in the share of developing countries in the total world exports (from 24 per cent in 1985 to 20 per cent in 1988) to protectionist measures adopted by developed countries. By introducing non-tariff barriers, developed countries had undermined their commitments under the GSP. Moreover, protectionism by developed countries was spreading to trade in services, including banking, insurance, shipping, transport and communications. He considered that developed countries were excluding the participation of developing countries in trade in services and were trying to maintain their monopolistic position.

58. The increase in the share of developing countries in world trade was in the interest of the whole international community. He suggested that a universal, non-discriminatory (including discrimination of non-economic origin) international trade system should be created in order to raise the share of developing countries in global trade. In this connection, he said that a few developed countries followed hostile policies towards his country and applied discriminatory treatment in international trade on political grounds - wrongs which should be redressed immediately.

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Sessional Committee

DRAFT REPORT OF THE SESSIONAL COMMITTEE

Rapporteur: Mr. Jure Gasparic (Yugoslavia)

Addendum

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Chapter II

PROTECTIONISM AND STRUCTURAL ADJUSTMENT AND, IN CONJUNCTION THEREWITH, DEVELOPMENTS AND ISSUES IN THE URUGUAY ROUND OF PARTICULAR CONCERN TO DEVELOPING COUNTRIES, IN ACCORDANCE WITH PARAGRAPH 105 (8) OF THE FINAL ACT

(Agenda item 3) (continued)

59. The representative of Chile, responding to the statement by the representative of Austria, said that the report (TD/B/1240) should be read in conjunction with TD/B/1245/Add.1, which contained information provided by the Government of Chile on the macro-economic situation of his country between 1985 and 1988, and gave details on the results of the implementation of the structural adjustment programme. He also highlighted the developments in the liberalization process in Chile, stressing some of the difficulties faced by his country during this process, and contrasted this with the protectionist actions and deficient structural adjustment efforts in some developed market-economy countries.

60. The representative of New Zealand said that the secretariat report (TD/B/1240) did not provide a very encouraging view of current trends in trade policies, but it was none the less a realistic assessment. While he did not share all the policy conclusions reached in part three, he did agree that the persistence of protectionism in some areas was a cause of some concern. The secretariat rightly pointed out the proliferation of protectionist measures, including the use of VERs, quotas and other manifestations of managed trade. That was worrying since at this stage of the Uruguay Round the world should be moving towards more open, not more closed, markets.

61. For its part, New Zealand had not waited for the end of the Uruguay Round to undertake a major programme of market-led structural adjustment and liberalization. Details of this reform programme were to be found in TD/B/1245. His country had removed virtually all Government assistance to agriculture so that farmers now had to work in a deregulated environment. In the industrial/manufacturing sector, the Government was determined to make New Zealand's industries internationally competitive. This was being done through two specific policies:

A four-year tariff liberalization programme which would end in 1992, and which would roughly halve tariffs on most industrial products;

For a very few special-case manufacturing sectors, specific time-bound industry adjustment plans had been introduced. At their conclusion the sectors concerned would become subject to the general liberalization programme.

He added that the reform had been economy-wide and had been within a framework of policy designed to reduce interventionism in all areas and so allow market signals to guide economic decision-making. However, it was clear that this type of structural adjustment would not yield its greatest benefits if other countries, especially the trading partners, did not themselves participate in the process. Such programmes required very difficult political decisions which faced opposition from those groups that had enjoyed economic rents from protection. He emphasized that his country's own adjustment process - and perhaps those of other countries - would have been made easier if the threat of protectionism had not been constant.

62. Noting that a number of countries were going through an adjustment process aimed at bringing about market-oriented policy reforms, he endorsed the suggestion that the secretariat could usefully pursue its work on analysing and comparing experiences in different countries. It was particularly useful for countries which were about to take the difficult political decision to implement such programmes to know with more certainty the results they were likely to achieve.. This was an area where UNCTAD could bring to bear the fresh thinking that was called for in the twenty-fifth anniversary declaration.

63. With reference to the Uruguay Round, he said that New Zealand was also interested in the successful conclusion of the Round. But unlike some other countries, which had complained of the lack of balance in the negotiations, New Zealand held that the problem was lack of substantive progress in all areas. So far there was still very little that had been agreed and, in some areas, negotiations had not even taken place. He was also concerned at the appearance of certain discriminatory proposals which, in his view, ran counter to the principles of non-discrimination and multilateralism. New Zealand, for its part, remained committed to a comprehensive result and had demonstrated its willingness to undertake the type of measures that would be required to achieve it.

64. The representative of the Byelorussian Soviet Socialist Republic supported UNCTAD's work on protectionism and structural adjustment. The

proliferation of protectionist measures and the erosion of basic principles of the international trading system were continuing. The radical restructuring of the economic system in the Byelorussian SSR included significant new rights in the external economic sphere. In particular, external economic organizations and firms had been created, including joint enterprises with foreign firms. There were already 490 Byelorussian participants in external economic relations and 22 joint ventures. In 1989, the volume of exports had amounted to 1.7 billion roubles, and trade with Asian, African and Latin American countries was developing. The possibilities of further expansion of the foreign trade of the Byelorussian SSR were directly linked to the development of its economy, which was characterized in 1989 by 5.3 per cent growth in GNP and 4.8 per cent growth in national income. The social orientation was one of the main features of the structural adjustment of the Byelorussian economy. There were also serious economic problems such as unsatisfied demand for goods and services, slow utilization of new technologies, a difficult ecological situation due, in particular, to the consequences of the disaster on the Chernobyl atomic energy plant. That disaster led to damages amounting to more than 3 billion roubles. The programme to eliminate the consequences of the disaster estimated the costs at 17 billion roubles, which was 10 times higher than the value of annual exports of the Republic. In this context, the Parliament and the Government of the Republic, as well as some public organizations, had requested help from the international community.

65. The representative of Poland said that the secretariat report (TD/B/1240) demonstrated the link between the lack of structural adjustment and the growth of protectionism. The profound and dramatic changes under way in his country's economic system and policies should lead to deep structural transformations in its economy. The stabilization programme introduced in early 1990 was aimed at curbing inflation. Its principal tool was the reduction of demand through free-market pricing, with prices resuming their function in the rational allocation of resources. The programme was also intended to balance the Government budget by a radical reduction and/or elimination of subsidies earlier provided for food, energy, housing, transport and communication. Changes in ownership patterns would assist the desirable shift in resource allocation and the resulting structural change in the economy and improvement in its efficiency. State-owned industrial enterprises would be first transformed into joint-stock companies with a gradual but

extensive privatization of most of them. A special draft bill on privatization had been approved by the Council of Ministers in March 1990 and would be put before the Parliament shortly. Smaller units would be privatized by direct sale. These changes would be facilitated by the establishment and expansion of the capital market and the opening up of the economy towards foreign direct investments.

66. He also referred to the ongoing liberalization of Poland's trade regulations and, in particular, of import and foreign-exchange régimes. First, foreign trade operations had been fully deregulated. Thus the monopoly of foreign trade that had been gradually eased out since 1988, had finally been abrogated. Secondly, access of domestic economic agents to foreign exchange had been fully liberalized through the introduction of the internal convertibility of the zloty. Thirdly, a uniform foreign-exchange rate had been in force since the beginning of 1990 after considerable devaluation of the zloty, with its level stabilized for the time being. Trade licensing, applying to a greater extent to exports than imports, had become extremely limited. At the same time, the foreign-exchange retention scheme for exporters and the system of foreign trade price equalization had been abandoned. Curbing monopolistic practices and fostering competition would also assist structural change.

67. He added that there was a drive to eliminate all countertrade agreements and arrangements. For example, the few remaining clearing agreements in trade with developing countries were being phased out and trade in convertible currencies introduced instead. In that respect, he differed with the conclusion in paragraph 111 of the report concerning the future of bilateral trading arrangements with developing countries. A gradual switch to trade in convertible currencies was also envisaged in trade with Eastern European countries members of CMEA. Poland was joining other member countries in remodelling the CMEA so that the grouping would foster all-European integration and would not be an obstacle to the expansion of trade between its members and the rest of the world. Since the beginning of 1990 new tariffs consistent with GATT requirements had been introduced providing for a general lowering of tariff rates. Already in 1989, average rates had amounted to 6.9 per cent. It was assumed that the operation would not increase the average rate of protection. Trade with the CMEA countries had also been

subject to tariff treatment. Polish import trade had been liberalized to such an extent that it now remained subject to only two effective regulatory instruments - tariff and exchange rate.

68. He said that the success of the systemic and structural transformation in his country depended to a great extent, on the opening of external markets and upon securing uninhibited access to them for Polish exports. He welcomed the concessions to this effect obtained from trading partners, especially those from the European Economic Community, in lowering the quantitative restrictions on Polish exports. In this connection, he trusted that non-tariff barriers would be further reduced, in particular the so-called voluntary export restraints. He hoped that the preferential treatment granted by the OECD countries would be subjected to as few exceptions and limitations as possible.

69. The representative of Canada stated that his country's international trade policy rested on two strong pillars: first, commitment to the open, multilateral trading system embodied in the GATT and to its strengthening through significant results in all areas of the Uruguay Round, and second, the comprehensive Free Trade Agreement with the United States. He added that his country was determined to support the reforms in Eastern Europe while continuing to accord high priority to co-operation with developing countries.

70. Noting the concerns expressed by a number of developing countries and by the secretariat about a perceived imbalance in the progress in the various areas of the Uruguay Round negotiations, he said that these concerns were unfounded for a number of reasons. Firstly, all countries had a strong interest in substantial results in the area of market access - developed as well as developing countries were pursuing important access objectives. Similarly, all countries had an interest in strengthened GATT rules. Secondly, such expressions of concerns exaggerated progress in the new areas of services, TRIPS and TRIMS, when in fact nothing had been finally agreed, and an enormous amount of work remained to be done. And thirdly, the language of the Punta del Este mandate did not imply that trade policies and measures of developing countries should not receive attention from participants, or that those countries should not be expected to contribute. The greater integration of developing countries into the international trading system was one of the key objectives of the Round. In Canada's view, good progress had

been made in all areas of the Uruguay Round negotiations, but an enormous amount of work, and a great effort of political will, were still required in order to bring the Round to a timely and successful conclusion.

71. The reports before the Board represented continuing improvement in terms of overall quality. Nevertheless, he believed that the growing differentiation between groupings of developing countries should be reflected in future documentation. He also regretted the lack of attention in TD/B/1240 to the importance of a successful outcome to the Uruguay Round to all countries, and to the significance of increased developing country participation in the Round. He noted an imbalance in the attention given to non-tariff measures taken by developed as opposed to developing countries. He would also favour secretariat analysis of the effects of the generally higher tariff régimes of developing countries on their own development and on that of other developing countries.

72. Canada's emphasis on developing-country policies was based on a fundamental concern about demographic trends. Over the next two decades, developing countries would increase their populations by 1.4 billion and their labour force by 600 million. Economic growth in all countries would thus be much more dependent than hitherto on markets in developing countries. These countries, however, faced the challenge of providing jobs for their labour force. This called for mobilization of domestic savings and attraction of foreign capital to finance productive investment. Developing countries, therefore, needed to cultivate a domestic policy environment which was conducive to investment innovation and risk-taking. If UNCTAD were to help developing countries to resolve their diverse problems, it was important to give a balanced attention to the trade policies of <u>all</u> countries, not just those of developed countries. The secretariat of UNCTAD should contribute by analysing how trade, investment and other related policies in developing countries could help improve those countries' economic performance and competitiveness.

73. Commenting on the treatment of the textile and clothing sector in TD/B/1240, he said that the Canadian Government remained committed to the long-term viability of those sectors. Import policy in this regard sought to ensure a pace of import growth consistent with an orderly adjustment process. Adjustment in Canada's textile sector would continue, as the Minister of Finance had announced that Canadian tariffs on textile imports would be

reduced to levels comparable with those of other industrialized countries. Canada had recently tabled a proposal in the negotiating group on how to achieve the objective of the Uruguay Round in this respect. Canada had proposed an approach that moved away from the MFA's selective and discriminatory framework towards one that was as close to existing GATT safeguards rules as was practicable. It would reintroduce market forces and ensure that trade in this sector would be governed by rules that applied equally to all participants and not on the basis of negotiating strength, which was a principal feature of the MFA.

74. The spokesman for the Group of 77 (India), speaking on the issue of the Uruguay Round, said that the Round had been launched at a time when multilateralism was under severe attack, protectionist measures had proliferated and assumed new and dissimulating forms, managed trade was increasingly resorted to by some of the major trading entities and there was a progressive erosion of disciplines governing international trade. The protectionist and trade-distorting policies of developed market economies had given rise to serious macro- and micro-economic imbalances at a time when the international economy was being transformed into an interdependent whole. Developing countries themselves had been going through a crisis of development, weighed down as they were by a severe lack of resources, an unbearable debt burden and handicaps arising from technological underdevelopment. These problems were further exacerbated by the adverse effect of protectionism against their exports.

75. Developing countries were committed to participating constructively in the Uruguay Round. For their part, they had sought and obtained a political commitment for a balanced outcome whereby their development needs and concerns would be adequately reflected in the results of the Round. It was their understanding that necessary safeguards would be provided for them in any new dispensation so that their capacity and opportunities for accelerated economic growth and development would be enhanced, not diminished.

76. However, commitments on standstill and rollback entered into at Punta del Este and reaffirmed at Montreal remained largely unimplemented. Managed trade and restrictive sectoral arrangements continued to mar international trade, especially in those sectors where developing countries had export capacity. The result was that the developing countries' share in world trade had declined from 24 per cent in 1985 to 20 per cent in 1989, and

the growth in their exports was confined to very few of them, with most recording stagnation or downturn. Actions taken by the United States under the Super 301 and Special 301 provisions of 1988 United States Trade and Competitiveness Bill constituted a breach of standstill and rollback commitments and interfered with the MTN process which was meant to be free, fair and equitable.

77. Having observed the lack of balance in the negotiations so far, the developing countries would measure the success of the Round by the extent to which they, as weaker trading partners, would be enabled to secure their rights in dealing with strong trading partners. Furthermore, success for them would also imply that the established framework of rights and obligations would create the conditions for expansion of their export trade, considerably improve market access for products of current and potential export interest to them, and provide vital inputs and resources for their development. The principle of differential and more favourable treatment for developing countries was an integral part of the Punta del Este mandate and reflected the right of developing countries to safeguard their interests and realize their development objectives. It had been expected that this principle would inform the negotiations in all areas and that it would be translated into specific operational commitments, but this had not happened so far, in spite of developing countries' proposals in this regard in each negotiating group. It was now time for deliberations in the different negotiating groups to focus on this very central issue.

78. Developing countries were disappointed and concerned at the prevailing position in market access groups where, as the developing countries in GATT had noted, procedures had been substituted for substance and where the special status of the developing countries, in terms of being provided market access for their exports, was being set aside. Developing countries were being asked to make "contributions" and "offers" and reciprocity had been given prominence in negotiations where the great inequality of the partners precluded reciprocity.

79. In the tariffs group, developing countries should not be expected to make contributions which were inconsistent with their developmental, financial and trade needs. Problems of tariff escalation and tariff peaks on products of export interest to developing countries should be dealt with actively in this group as well as in relevant market access groups.

80. As regards negotiations on non-tariff measures, progress should be seen in the context of the experiences of the Tokyo Round, where overall reduction in tariffs had been undermined by the proliferation of non-tariff measures, the several codes set up had not arrested this process and the incidence and proliferation of NTMs had continued unabated. Unless the capacity of Governments in industrialized countries to impose a wide range of non-tariff measures was checked, the benefits of trade liberalization in other areas could not be secured and, in fact, would be jeopardized. From this perspective, the agreement on a framework and procedure for further negotiations in the area of NTMs left many matters unresolved, and an agreed definition of which NTMs were consistent with the GATT or not had not been evolved. The special status of the developing countries would have to be maintained in the NTM negotiations.

81. There was an apparent lack of political will to integrate textiles into the GATT, and modalities for a phase out MFA restrictions had not been agreed. The proposals by developed countries, which went against the letter and spirit of the Punta del Este mandate on this sector, had to be seen in this context. Unless early action was taken to make progress in this area, the progress of the whole Round could be affected.

82. Negotiations in agriculture remained blocked in spite of a widespread interest, which the Group of 77 shared, in liberalizing trade in agricultural products through effective application of GATT rules and principles, including that of differential and more favourable treatment for developing countries and the elimination of subsidies, deviations and waivers. Developing countries had an interest in the liberalization of agricultural trade in order to have unrestricted access to developed-country markets. On the other hand, adequate measures would have to be taken to ensure that food-importing developing countries were not forced to pay higher prices for their food imports. A clear recognition of the role of agriculture in the development of developing countries and their right to pursue appropriate trade and production policies in this regard needed to be fully preserved and any short-term or long-term reform measures agreed on should incorporate this development dimension.

83. It was expected by developing countries that the coming months would see a significant liberalization of tariff and non-tariff barriers by developed countries in relation to tropical product exports of developing countries,

which had been designated as a priority area in the Punta del Este Declaration, and that the virtual paralysis in the corresponding group would be ended. Simulation studies done on the actual trade-creating effects of the Montreal mid-term offers had found that the total effect would amount to only 2 per cent of the 1986 trade in tropical products of $333 million annually.

84. Nowhere was the pernicious link between the grant of market access for exports of developing countries and the demand that they pay an unacceptable price for such access more evident than in the insistence of some developed countries in the natural resources-based products group that, as a price for their agreeing to try to achieve the fullest liberalization of trade in products, they should have guaranteed access to the natural resources of developing countries. This demand was totally unacceptable and impinged on the sovereignty of developing countries over their own resources.

85. In the negotiations in relation to GATT articles, two areas of particular concern to developing countries were the developed country proposals with regard to article XVIII (B) and article XVII. In the former case, developed countries were seeking to review the right of developing countries with balance-of-payments problems of a structural and persistent nature to invoke this article. This had far-reaching negative implications for developing countries at a time when the need of the developing countries to invoke that article had increased and when its usefulness had been amply demonstrated.

86. In the safeguards group developed countries had been pressing for a safeguards agreement which would, in the name of selectivity, result in discriminatory application of safeguard measures against developing countries which had low bargaining power in any case. The Group of 77 reiterated the importance that it attached to making progress on a comprehensive agreement on safeguards that would reinforce the integrity of the multilateral trading system and be based on the fundamental principle of the GATT.

87. Developing countries had been emphasizing that the work in the negotiating group on subsidies and countervailing measures should be based on the recognition that developing countries would need, in the foreseeable future, to maintain subsidies for development purposes. There was, however, a regrettable attempt, which ran counter to this principle, to enlarge the scope of countervailable subsidies. There was also an asymmetrical focus on the

subsidy side but corresponding attention was not being paid to the countervailing side of the negotiation mandate, so that the imposition of countervailing duties could be undertaken on the basis of an objective criteria and less by way of selective safeguard action.

88. Despite the efforts of the past three years, the difficulties inhibiting the widest participation of the developing countries in the MTNs agreements and arrangements had not been removed. On the contrary, agreements and arrangements were being made more restrictive and fresh hurdles placed in the way of developing-country membership and participation.

89. On one indent of the group on the functioning of the GATT system some progress had been made, with the TPRM mechanism coming into operation, with its focus on developed-country policies. The Group of 77 also noted that the mechanism to be created for review was not empowered to impose new policy commitments. On another indent regarding increasing the contribution of GATT to the achievement of greater coherence in global economic policy-making, the Group of 77 viewed with concern the suggestion that GATT be made an implementing arm for the conditionalities imposed by IMF and the World Bank and that the trade liberalization in the MTNs should be made a condition for the grant of concessional financing by multilateral institutions. Instead, GATT should focus on better management of the interdependence of trade, monetary and financial issues.

90. A fair and effective dispute settlement mechanism was an important component of the multilateral trading system. It would be imperative that elements guaranteeing enforcement of developing-country rights under the multilateral trading system and disciplines should be incorporated into the dispute settlement mechanism.

91. In the negotiations on new themes, developed countries had exerted pressure on developing-country participants to agree to far-reaching results in the new areas, and attempts were being made to establish cross-sectoral linkages between trade in goods and trade in other areas.

92. On trade-related aspects of intellectual property rights (TRIPS) consideration should be given to concerns expressed by participants on the need for the proposed outcome to be compatible with the technology and development needs and objectives of developing countries. The pressure to consolidate the hold and augment the returns of owners of intellectual property rights, who were mainly corporate entities of developed countries, could not be pursued in complete disregard of their obligations towards the

users of technology and of the public-policy objectives of developing countries. Moreover, questions of intellectual property rights protection necessarily implied the question of access to technology by developing countries. Work in the TRIPS group had to be without prejudice to work done in WIPO, and the international implementation of the results would have to be given focused attention.

93. On trade-related investment measures (TRIMS) developing countries had maintained that existing remedies within GATT would suffice. However, developed countries had suggested prohibiting investment measures themselves - a suggestion that was both unacceptable and unrealistic.

94. Given the primacy of the services sector in the development process because of backward and forward linkages to the economy, the challenge before the group on services was to draw up and incorporate in the draft framework specific elements regarding the development dimension of services.

95. He recalled that it had been agreed at Punta del Este that one of the general principles governing the negotiations would be that special attention should be given to the particular situation and the problems of the least developed countries and to the need to encourage positive measures to facilitate expansion of their trading opportunities. Bangladesh, on behalf of the least developed contracting parties, and participants in the Round had presented proposals which deserved to be examined in the light of this principle.

96. Finally, the Group of 77 commended the valuable work done by UNCTAD on technical assistance to developing countries participating in the Uruguay Round. It also expressed the view that this item should be included on the agenda for the first part of the thirty-seventh session of the Board.

97. The representative of Japan pointed to the interrelationship between the items on the agenda of the Board. For example, the world demand for commodities might decline as a result of technological changes, but could rise as a result of the accelerated economic growth which might stem from the emergence of a single market in the European Community. It would also be affected, one way or another, by the Uruguay Round negotiations, as well as by the developments in the Eastern European economies. Therefore, discussions on international trade in the Board should adopt a comprehensive and interlinked approach. The documentation before the Board was notable for the absence of

recognition that human resources development was the very key to nation-building and economic development. Such recognition should be felt more keenly now than ever, in the year which would see the formulation of the International Development Strategy for the 1990s and the convening of the Second United Nations Conference on the Least Developed Countries.

98. He considered that a strengthened and further liberalized multilateral trading system would benefit both developed and developing countries. Developing countries might still need to make structural adjustment efforts in order to exploit enlarged trade opportunities. However, these efforts could not be successful unless similar efforts, particularly in market access, were simultaneously made by developed countries. Japan had been making various policy efforts and his country's submission to the secretariat of UNCTAD (TD/B/1245/Add.2) stated that Japan would continue to make further efforts for structural adjustment based on its Programme for the Promotion of Economic Structural Adjustment. He added that his country was also keen to make an international contribution by making its market more accessible. Currently, it was implementing comprehensive import-promotion measures as it continued on its path towards becoming a major importer.

99. The representative of the Republic of Korea said that protectionism in developed market-economy countries had continued to grow and was particularly worrisome as it was occurring at the peak of the negotiations for the conclusion of the Uruguay Round. He was deeply concerned that voluntary export restraints (VERs) and anti-dumping and countervailing duty actions were being employed by developed countries and were significantly hampering the efforts of developing countries to sustain their economic development through export promotion. The Republic of Korea was one of the developing countries most frequently affected by such arbitrary measures and had been particularly affected by VERs imposed by the EEC and the United States on steel products, footwear, textiles and clothing. Anti-dumping and countervailing duty actions and investigations were also a matter of serious concern. He believed that the trend towards protectionism in developed countries was an attempt to protect ailing industries, and that structural adjustment should take place in sectors where they were losing comparative advantages. Avoidance of, and delay in, structural adjustment was a serious impediment to the smooth expansion of world trade, particularly for developing countries.

100. He pointed out that, despite such rising protectionism, developing countries - including his own - had undertaken liberalization measures on a voluntary and unilateral basis. Under his country's five-year tariff reduction plan, the average tariff would be reduced from 18.1 per cent in 1988 to 7.9 per cent in 1993. Furthermore, the Republic of Korea had revoked GATT article XVIII on 1 January 1990 and was scheduled to lift its remaining restrictions on imports maintained for balance-of-payments purposes by 1 July 1997. He hoped to see the developed countries adhere to their commitments, particularly those regarding standstill and rollback, as called for in the Final Act of UNCTAD VII.

101. If the Uruguay Round was to succeed, developed countries should act rapidly to remove grey-area measures, particularly VERs, to abolish unilateral measures inconsistent with the GATT, and to refrain from using anti-dumping and countervailing duty actions as a means of reducing imports from developing countries. He believed that the Uruguay Round offered the best opportunity to achieve a free and open multilateral trading system, and that every participating country should work to create and maintain a favourable negotiating climate so as to ensure a balanced outcome for all participants. His country was prepared to act positively with other member States for the successful completion of the Uruguay Round within the agreed time frame.

102. The representative of Australia said that UNCTAD had an important role to play in the consideration of trade and development issues, especially in the absence of a more coherent institutional structure for co-ordinating the international trading, monetary and financial systems.

103. He said that the cost of agricultural protection, which OECD had estimated to be in the order of $US 286 billion, was a dramatic illustration of the impact of protectionism. It highlighted the extent of economic inefficiency which could emerge when international rules and disciplines were inadequate or ineffective. It also demonstrated the magnitude of the distortions permeating the international economic system, which should be challenged and corrected. His country was strongly committed to the pursuit of a predictable and open multilateral trading system, and accepted its obligations in the multilateral system and its responsibilities as a developed country. It was also conscious of the development needs of developing

countries. Those needs should, however, be balanced against a greater need to ensure that the foundations for mutually beneficial multilateral partnerships were firmly in place to begin with.

104. The Australian Government had maintained the momentum of adjustment in its own economy and looked to see other Governments promoting the course of adjustment in their countries. The particular circumstances of developing countries should be recognized in this process. Adjustment programmes should be designed to match the economic, social and political characteristics of each country. Adjustment should also be seen as a continuing process and the most effective means of promoting change was through exposure to international trade. To further their efforts, developing countries should seek the support of the World Bank and IMF structural adjustment programmes, which could make an important external contribution to the adjustment process. His country was concerned that adjustment lending had been concentrated on problem debtors and had tended to ignore the financial requirements for development of poorer countries, particularly in the Asia-Pacific region.

105. Turning to the Uruguay Round, he stated that the successful completion of the negotiations was of the highest priority for his country, which hoped to see the major distortions in international trade removed, to the benefit of all participants. The negotiations should also focus on a substantial reduction in distortions in the areas of agriculture, the achievement of a liberal framework for trade in services and the strengthening of the framework of rules governing international trade now embodied principally in the GATT. In order to seek results which would benefit all participants in the areas of market access (including textiles and NTMs), strengthened rules and procedures on subsidies, safeguards and dispute settlement, and new issues covering important areas of international trade, Australia was prepared to make its own contribution to an open world trading system. Australia had already moved to eliminate all quantitative restrictions from its import régime and had signalled its readiness to bind the Australian tariff accross all sectors. However, the successful implementation of these measures required the commitment of all participants in the Round, not just the developed countries. Developing countries might also contribute in accordance with their individual trade, finance and development circumstances, since all countries would benefit from greater international economic co-operation.

106. The representative of Czechoslovakia, referring to the political, economic and social changes currently under way in his country, stated that his Government was adopting a number of measures to ensure the transition of his country to a pluralistic political system and to a modern market economy. Important new laws had already entered into force and amendments to others were being drafted which would provide for coexistence and free competition of various forms of ownership and would lead to further liberalization, demonopolization and opening of the economy. Individual initiative, free competition and gradual privatization were being encouraged. His Government was firmly determined to restore and maintain a macro-economic balance through tight financial and monetary policy to avoid inflation and excessive indebtedness. His Government was negotiating the restoration of its membership in the International Monetary Fund and in the International Bank for Reconstruction and Development, and it was ready to join the newly established European Bank for Reconstruction and Development. Furthermore, the Government had also submitted a memorandum to the Group of 24 in which basic ideas on development of mutual co-operation with the Group of 24 countries were formulated.

107. While he was fully aware that the success of the process of transition to a market economy depended primarily on internal efforts, he stressed that a favourable external environment and co-operation were indispensable. His country looked forward to industrial co-operation, elimination of quantitative barriers hampering the exchange of goods and the exchange of scientific knowledge, know-how and technology, as well as the direct participation of foreign capital in the restructuring and further development of the economy. Increased access to more advantageous credits as well as assistance aimed at the training of market-oriented managers and executive personnel would be welcomed. He pointed out that the restructuring and modernization of his country's economy would provide for increased market opportunities for all other countries.

108. Finally, he said that, as a smaller trading country dependent on foreign trade, Czechoslovakia attached exceptional importance to the GATT, as a multilateral system of rules regulating international trade. Czechoslovakia had been an active participant in the Uruguay Round, which should strengthen the multilateral trading system and make further steps towards effective trade

liberalization. Results should be sought in all negotiating groups, in particular those dealing with market access and the establishment of multilateral rules or agreements in the new areas.

109. The representative of Tunisia drew a parallel between the increasing resort to protectionism on the part of developed countries and the continued liberalization pursued by developing countries. The vast subsidies provided by developed countries to their farmers tended to exclude developing-country exporters from the world markets and to whittle away their traditional outlets. The comparative advantages which developing countries enjoyed in certain labour-intensive industries were also being threatened by technological innovations in developed countries. There was genuine doubt therefore whether the structural adjustment in developed countries was really conducive to a mutually beneficial and more equitable multilateral trading system.

110. He added that since August 1986, when his country had introduced the economic recovery programme, economic liberalization had proceeded in earnest. In 1989 the share of unrestricted imports had risen to 65 per cent of the total as compared to only 18 per cent three years earlier. Moreover, the aim was to reduce the level of effective protection to an averrage rate of 25 per cent by 1991. Other reforms introduced by his country put the accent on the market mechanism, the development of competition and the reduction in protection. Tunisia would pursue this adjustment process, which had led to encouraging results. In fact 1987, which was the test year for the application of these measures, had registered a 15 per cent increase of exports in real terms, not counting energy products. However, this revitalization masked structural problems which his country had to face, in particular international indebtedness and exchange-rate fluctuations.

111. Finally, he expressed the hope that the current Uruguay Round negotiations could lead to a fairer trading system for developing countries. In this context, mutually beneficial co-operation was needed between developing and developed countries in order to correct the current asymmetries. He also appreciated UNCTAD's contribution through its technical assistance to developing countries in the context of the Uruguay Round.

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Sessional Committee

DRAFT REPORT OF THE SESSIONAL COMMITTEE

Rapporteur: Mr. Jure Gasparic (Yugoslavia)

Addendum

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Chapter II

PROTECTIONISM AND STRUCTURAL ADJUSTMENT AND, IN CONJUNCTION THEREWITH, DEVELOPMENTS AND ISSUES IN THE URUGUAY ROUND OF PARTICULAR CONCERN TO DEVELOPING COUNTRIES, IN ACCORDANCE WITH PARAGRAPH 105 (8) OF THE FINAL ACT

(Agenda item 3) (continued)

112. The representative of Brazil pointed out that, in spite of sustained economic growth, protectionism had not diminished in developed market economies to any significant extent. Non-tariff measures (NTMs) had been renewed, and a large number of new NTMs had been introduced in outright disregard for the commitments of standstill and rollback undertaken in the Uruguay Round. Despite the fact that some liberalizing measures had been implemented in 1989, the international economy did not give cause for optimism. Protectionism in the industrialized world made it difficult for developing countries to achieve success in their structural adjustment efforts. Growing protectionism in the developed world, apart from further deteriorating the terms of trade against developing country exports, was also one of the main factors in the decline in the overall trade performance of developing countries.

113. The non-transparent and bilateral nature of voluntary export restraints (VERs) had gradually eroded the disciplines in the international trading system. Furthermore, the countries most adversely affected by VERs were the weaker trading partners, in particular developing countries. Brazil was itself most seriously affected by the imposition of VERs on its exports of steel products to developed countries. He recommended that the secretariat should analyse on a regular basis the economic effects of VERs, especially on the exports of developing countries.

114. Regarding anti-dumping and countervailing duty actions in developed market-economies, TD/B/1240 indicated that the share of new investigations involving developing countries had gradually increased, from around 20 per cent in 1980-1982 to more than 40 per cent in the period 1986-1988. Brazil was one of the developing countries most frequently involved in anti-dumping or countervailing duty actions initiated in certain developed countries, since it had acquired a competitive position in the export of some traditional manufactured products. This demonstrated that such actions were used for protectionist purposes.

115. In recent years there had been an alarming escalation of unilateral and GATT illegal trade actions. His country had been the target of a flagrant unilateral action by the United States when, in October 1988, that country had imposed prohibitive duties on selected imports from Brazil in retaliation for alleged insufficient patent protection for pharmaceuticals in Brazil. These actions had eroded the multilateral trading system and constituted a violation of the standstill commitment undertaken at Punta del Este.

116. In contrast to the current protectionist measures in the developed world, developing countries had continued their efforts in 1989 aimed at trade liberalization. The number of products for which the issuance import licenses had been suspended had been reduced considerably and the Financial Operations Tax (IOF) had been eliminated. Ironically, developing countries were exhorted to export more to meet their debt obligations while they were at the same time being increasingly denied market access by a wide range of non-tariff measures in developed countries. He called for structural adjustment programmes to be accelerated in developed countries, particularly in those sectors where developing countries had comparative advantage. He also stressed the need to improve developing countries' access to technology on fair and reasonable terms and to strengthen their indigenous technological capabilities with a view to enabling developing countries to benefit from technological advances and improve their international competitiveness.

117. He praised the reports prepared by UNCTAD on the matter of protectionism and structural adjustment, but hoped that future documents would focus more directly on assessing the impact of unilateral actions taken by developed countries upon the exports of developing countries.

118. Observing that the Uruguay Round had entered its final and critical stage, he said that there had never been such all-embracing trade negotiations. Brazil had joined in the MTNs in the expectation that they would be conducive to a new and more favourable trading environment. Brazil still hoped this result would be attained, thus curbing the negative trend towards unilateralism which had seriously threatened the multilateral trading system.

119. He recalled that the developing countries had recently issued a communiqué in which they had made a political assessment of the current state of the negotiations, which reflected their concern at the imbalances bearing on their interests, and which reaffirmed their commitment to pursue a balanced

outcome to the Uruguay Round. The communiqué translated a common concern with, and a warning against, developments in the negotiating groups and stressed that, while developing countries were under continuous pressures from their developed counterparts to contribute to the speeding up of work in the so-called new areas, their main priorities in the traditional ones, especially with respect to markets, were not being addressed, even though the possibility of enhancing access to developed-country markets as a consequence of the negotiations was essential to bring all countries to the negotiating table. It would seem unrealistic to expect, if such a trend continued, that the developing countries could continue to offer their support for the Round. Brazil had joined in the consensus, since it had given up hope of a successful outcome to the negotiations. The political statement was a warning, a quest for solutions, and a call for concerted action.

120. At a time when the East-West confrontation was receding, one could hope that the North and South would also be able to resolve their differences and agree on an agenda for the benefit of both of them. The international community should strive, through a constructive dialogue and fruitful negotiations, to set up a better world trade order where all partners would share in prosperity and in peace.

121. The representative of Nigeria saw the debate on protectionism and structural adjustment as an opportunity to stimulate thinking on how to correct the deficiencies and improve the body of principles, norms, policies and measures that constituted the current international trading system. The framework for such improvements had been spelt out in the relevant section of the Final Act of UNCTAD VII, which provided for the improvement and strengthening of the international trading system with a view to giving it a more universal and dynamic character as well as making it more responsive to the needs of developing countries.

122. In spite of the Final Act of UNCTAD VII and the rollback and standstill commitments, the past few years had witnessed an increase in protectionism and a worsening of international trading environment. Protectionism was harmful to both developed and developing countries since it was inimical to the multilateral trading system; it offered immediate short-term benefits at the expense of long-term multilateral advantages. Many countries had resorted to bilateral solutions to trade problems, which were a major cause of concern, but there appeared to be no solution, in spite of the Uruguay Round of MTNs.

123. He recalled that, at the mid-term review of the Uruguay Round, developing countries had complained of the imbalance in the progress of the negotiations. The imbalance still persisted - indeed it was now more pronounced. There were already doubts about reaching an agreement that would achieve a balance of benefits to all participants in the Uruguay Round. Unless negotiating positions were seriously reconsidered, the Round might not be able to achieve a balanced agreement that would be beneficial to all the participants. There had been more progress in the areas of interest to the developed countries than in areas of interest to developing countries. In the area of market access, which was of paramount importance to the developing countries, progress had been minimal.

124. He observed that while developing trading nations such as his own continued to open their markets and to adopt more liberal economic policies in line with their structural adjustment efforts, the major trading partners continued to pursue policies which leaned towards increased protectionism. The main thrust of Nigeria's structural adjustment programme, introduced in July 1986, was the diversification of the economy by relying less on the oil sector, which at present accounted for about 90 per cent of its export earnings, and exploring the export potentials of the non-oil sectors, especially the agricultural and industrial sectors. Nigeria was approaching the problem by adopting a trade policy which attempted to reallocate economic resources so as to improve efficiency and stimulate competition. The implementation of this policy entailed the removal of impediments to trade such as import licences, the guarantee of a realistic exchange rate, the gradual removal of subsidies, the rehabilitation of infrastructure and the reform of the tariff system to reduce trade protection. The structural adjustment programme was targeted at restructuring and diversifying the productive base of the economy so as to lay a sound basis in the country for a sustainable, non-inflationary economic growth over the medium and long-term period. These measures had already yielded some improvement, especially in the non-oil sectors.

125. The representative of Ecuador said that the declining share of the developing countries in international trade was alarming and signalled that the international economic order was unjust and called for a profound revision. Current developments in the international trading system were putting at risk the positive commitments adopted at UNCTAD VII.

126. Referring to developments in Eastern Europe, to the EEC move towards a single market and to the Free Trade Agreement between Canada and the United States, he said that his delegation was concerned that, in each of these cases, the integrated economies might well intensify protectionist tendencies rather than liberalize their trade in the framework of economically powerful schemes that benefited the newly established areas.

127. While his country recognized that governments should look for internal measures to boost economic growth and increase exports, there were limits to what developing countries, with limited resources and large external debt, could sacrifice in order to achieve long-term benefits. The efforts of developing countries needed to be matched by substantial reductions in protectionism in developed countries, genuine agreements to sustain commodity prices and continuous transfers of technology.

128. He stated that Ecuador was implementing an economic stabilization plan which included monetary and tax reforms, reductions in tariffs and the elimination of most import prohibitions and the surcharge on luxury goods. However, in order to achieve the objectives of more efficient use of resources and outward-oriented growth, Ecuador would require support from developed countries, notably through improved market access, particularly for non-traditional exports, and an agreement with its creditors to solve the country's debt problem.

129. The representative of Romania, expressing full support for the statement made by the spokesman for the Group of 77, observed that protectionism had not been reduced to a significant extent and there were no grounds for optimism in this regard. Protectionist measures were often applied by circumscribing and even violating the GATT principles. "Voluntary" export restraints, which were almost always billed as temporary solutions, tended to become a permanent element of the trading environment. Anti-dumping measures aimed at ensuring fair competition were often applied to protectionist ends. These measures resulted in a drastic reduction of imports through harassment and intimidation. They were also used to force trading partners to "voluntarily" limit their exports. The little progress achieved by developed countries in the field of structural adjustment explained their repetitive and long-lasting protectionist measures. Non-tariff measures, in particular, affected trade from developing countries more than that from other developed countries. In the field of tariff preferences, graduation was resorted to as a disguised

form of protectionism. It was necessary for developed countries to comply fully with commitments made in the Final Act of UNCTAD VII and in Board resolution 367 (XXXV) to contain protectionism and promote further liberalization of trade.

130. He added that his Government was taking the necessary structural adjustment measures which would move the economy from excessive central planning towards a market economy. It aimed to attract foreign investments through joint ventures or through fully-owned foreign enterprises. In the wake of the revolution of December 1989, Romania had adopted measures designed to integrate the country into the world economy and to improve its relations with all countries. Laws and diverse regulations that had put a brake on foreign economic relations had been repealed. Small private firms and individuals had acquired the right to engage in foreign trade transactions - a fact which in itself implied a de facto renunciation of the State monopoly of foreign trade. The exchange rate for commercial and non-commercial transactions had been unified and measures were being taken towards currency convertibility. He emphasized that, in opting for the development of the private sector and a transition towards a market economy, Romania had taken a step that was bound to revitalize the national economy and to extend its foreign economic relations.

131. On the question of the Uruguay Round, he said that the MTNs represented the best tool to halt protectionism, liberalize international trade and strengthen the multilateral trading system. Romania had subscribed to the Declaration of the informal group of developing countries in the GATT, issued in February 1990. It was necessary to implement fully the Punta del Este Declaration and the decisions taken at Mid-Term Review in order to achieve balanced and mutually advantageous results in the negotiations.

132. The representative of Sri Lanka pointed to the direct correlation between trade and poverty, as was borne out by the progress achieved in alleviating poverty by those countries that had succeeded in expanding trade. The world was faced with trade restrictions which were undermining the investment and savings capabilities of developing countries and hindering their growth potential. At a time when structural changes were taking place in all parts of the world, the developed countries were clinging to inefficient industries for the sake of short-term political gains, thus increasing their own inefficiency. In turn, they were imposing heavy costs on developing countries

because the latter were prevented from getting the maximum benefit by building up their trade on the basis of comparative advantage. Bold initiatives were, therefore, required from all developed countries to allow the developing countries to benefit from their trade and thereby reduce their poverty levels.

133. Despite bold attempts by developing countries under the guidance of IMF and the World Bank to restructure their economies, their growth had been obstructed by trade restrictions. These countries were given assistance to expand their exports, but at the same time they were not allowed to be outward-looking. Countries which still specialized in a narrow range of products found their export incomes heavily eroded, thus lowering economic growth, reducing budgetary revenues and increasing their difficulties in repaying their loans. Aid programmes must not only strengthen economic growth but also expand exports. Any attempt to utilize aid to bolster the imports from developed countries faster than the growth in exports of developing countries should be avoided.

134. He added that the proliferation of VERs had discouraged countries from adopting export-oriented strategies. Such arrangements between exporting and importing countries were often the result of government intervention by the countries concerned, which made light of the mystique of free market forces. Such barriers were also harder to cut back and most of them were not transparent. The damage caused by VERs to individual economies and to world trade should be highlighted by specific and general studies and pressure should be brought to bear on the international community to prevent the proliferation of these arrangements.

135. With regard to the Uruguay Round, success would very much depend on how far the developed countries were prepared to go in dismantling trade barriers and allowing free market access to the goods of developing countries. Without an adequate level of free trade, GATT might not be able to gather the momentum to go ahead. In this respect, attention should be paid to issues such as market access of tropical products and agriculture. As to trade in services, he observed that developed countries were keener to liberalize trade in services before increasing market accessibility by removing trade barriers of all types. On the other hand, developing countries were compelled to liberalize not only commodity trade but also trade in services, in response to pressures from lending agencies and donors. In his view, this had to be

linked with the development needs of developing countries, since the basic infrastructure to promote international competitiveness in services was non-existent in developing countries.

136. Finally, with regard to the current trend towards reinforcing or establishing trade blocs, he said that these blocs were interested above all in the welfare of the countries constituting that bloc.

137. The representative of the Philippines said that the hope that the Uruguay Round would halt the drift towards protectionism and restore momentum to the development of developing countries was now in danger of foundering on the conflicting claims of nationalism and internationalism. Many developing countries were faced with a difficult choice in the future: multilateral disciplines in the new areas which might circumscribe their flexibility for policy-making for development, or a status quo threatened by unilateral coercive tactics and bilateral reciprocity régimes in which they had an insignificant leverage.

138. In agriculture - the centre-piece of the negotiations - concrete agreements on specific principles and commitments had not progressed substantially. The final outcome of negotiations in this area would be influenced heavily by the actions of the two major developed protagonists. In textiles, some major players had shown a lack of political will to integrate this sector into the GATT, but there were moves to replace the MFA by an equally, if not more, restrictive régime. In tropical products and natural resource-based products, the exchange of meaningful concessions had been impeded by protracted discussions on procedures and substance. Although the fundamental principle of special and differential treatment for developing countries had been reaffirmed in Punta del Este and Montreal, developing countries were increasingly being called upon to assume obligations even if these were inconsistent with their trade, financial and development needs. Thus, the Uruguay Round might well go down in history as a period when special treatment for developing countries, a substantial part of the edifice of international trade relations within the GATT for almost two decades, had been challenged and deliberately dismantled.

139. Noting that there was a keen desire among the developing countries to sustain constructive participation in the MTNs to ensure that the Uruguay Round resulted in substantial gains to them as well, he said that the legitimate concerns of the developing countries should be taken into account,

as they were justified in asserting that they could not be subjected to the full rigours of a non-preferential or reciprocal régime. Since developing countries had a vital interest in ensuring that the outcome of the negotiations would contribute meaningfully to their development, considerations of developmental needs, national security, infant industry arguments and measures to address serious balance-of-payments difficulties were of fundamental interest to them and should be pursued zealously. For its part, the Philippines would continue to support constructive efforts in achieving a balanced outcome in the Uruguay Round.

140. The representative of Hungary said that the basic objective of economic policy in his country was to develop a properly functioning market economy. The process had started more than two decades previously, but had gained momentum recently as it was now recognized that fundamental changes should affect the whole economy, including the political institutions. Licensing requirements had been abolished for about 70 per cent of Hungarian convertible-currency imports. Over 4,000 companies, including about 1,000 private enterprises and individuals, were engaged in foreign trade. The number of joint ventures in industry, agriculture, retail trade, tourism and many other services were increasing almost daily. Privatization covered smaller and large enterprises. The newly established National Properties Agency would facilitate the privatization of State-owned companies. Foreign investors were involved in this exercise. Special credit and financing facilities had been introduced to promote small and medium-sized enterprises. Thousands of obsolete or unnecessarily restrictive regulations were being eliminated.

141. At the same time, the banking system was being decentralized. Foreign credit was still raised by the National Bank, but business-related foreign exchange transactions were performed by commercial banks. A stock and commodity exchange was now in operation.

142. Financial constraints were hampering the implementation of the changes. Additional cuts were required in Government expenditures. Despite heavy debt-servicing obligations, Hungary remained committed to meeting all external financial obligations. Tight monetary policies were putting a brake on economic expansion. A number of industrial plants were facing bankruptcy, leading to a steep increase in unemployment. The desired objectives, however, could not be reached with internal efforts alone and he expressed appreciation for the support given by the international community.

143. Hungary had a genuine interest in fostering international economic co-operation and attached particular importance to the strengthening of the multilateral trading system. A successful outcome of the Uruguay Round would contribute significantly to a more predictable and supportive international economic environment. The adjustment process in Hungary, while serving national interests, would also contribute to the strengthening of bilateral and multilateral co-operation and to the common aim of revitalizing development, growth and international trade.

144. The representative of Turkey, noting the recent economic and social developments, particularly in Eastern Europe, and their implications for development, expressed concern at the reorientation of the international division of labour and the emergence of trading blocs.

145. During the 1980s, the development opportunities of several developing countries had often been impeded by distorted domestic prices, large fiscal deficits, slower growth in industrial countries, depressed primary commodity prices, rising interest rates and external finance shortages. This had contributed to the intensification of structural adjustment programmes to achieve sustainable growth in the long term. The rationale of structural adjustment programmes was to realign the domestic economy with externally induced price changes and to solve internal problems such as high inflation rates, unsustainable domestic absorption, large debt burdens, poor expansion of export earnings, need for external financing and unemployment. Today, foreign-exchange earnings were crucial for development. Therefore, trade liberalization was the sole remedy for this problem.

146. The Turkish experience with structural adjustment was built on several pillars: a stronger reliance on market forces; a liberalization of the foreign-trade régime reducing the average effective tariff rate to less than 5 per cent and liberalization of exchange regulations; export promotion measures, including the adoption of flexible exchange rates; export-oriented industrialization strategies, through restrictive monetary policies, savings stimulation and the development of capital markets; and lastly, an increase of the private sector's role and the rationalization of public investment programmes. As a result of such measures, Turkey had been successful in expanding its exports despite protectionist measures in major markets.

147. The representative of the Union of Soviet Socialist Republics said that growing protectionist pressures and barriers were still a matter of serious concern for many countries. Hopes that growth in the world economy and trade

would lead to a more liberal approach had again been dashed in 1989. It was thus important to continue UNCTAD's work on protectionism and structural adjustment, in accordance with Board decision 367 (XXXV).

148. He shared concern of other delegations regarding new legislation in some countries, which would allow trade barriers to be imposed in the future, and the growing trend towards a selective, discriminatory use of trade barriers. In particular, non-tariff measures in many developed market-economy countries were selectively restricting exports from Eastern European countries. This, in turn, was reducing the import capacity of these countries and was delaying their full integration into the multilateral trading system. Voluntary export restraints (VERs) represented a particular danger to international trade, leading to a growing erosion of discipline in the international trading system. The use of these measures was contrary to multilaterally recognized principles, and they were not subject to monitoring. The UNCTAD secretariat could pay more attention to this particular protectionist instrument and contribute to the search for methods of strengthening multilateral discipline in this area.

149. The implementaion of commitments on standstill and rollback of protectionism would serve the interests of all participants in international trade. This should be done on the basis of clear economic advantages and an equitable international division of labour among all countries. For this purpose, a more active utilization of UNCTAD's Data Base on trade measures for surveillance should be envisaged. The UNCTAD secretariat could also prepare, in pursuance of the the Final Act of UNCTAD VII, an in-depth study on the general problem of protectionism based on the developments in the second half of the 1980s. The problems of protectionism and structural adjustment should occupy a prominent place in the secretariat's preparations for UNCTAD VIII.

150. He observed that the development of integration arrangements around the world was obviously generating new trade flows, although such arrangements were also used as an instrument of collective protectionism and discrimination against non-participants.

151. The foreign trade of the USSR was also experiencing difficulties as a result of existing and new protectionist barriers. In 1989, the turnover of the USSR foreign trade had amounted, in real prices, to 140.9 billion roubles, although the value of exports had increased only by 2.4 per cent and imports had grown by 10.9 per cent. The USSR was still facing various obstacles to

its exports of many goods to developed market-economy countries, especially of those goods which could ameliorate the commodity structure of its exports.

152. On the other hand, 1989 had witnessed a number of positive events, which would contribute to the integration of the Soviet Union into the world economy. The ongoing negotiations on the Soviet-American bilateral trade agreement, incorporating MFN treatment, the conclusion at the end of 1989 of the trade and economic co-operation agreement between the USSR and EEC, which could, together with the radical restructuring of the Soviet economy and its gradual integration in world economy, create a basis for a European economic area and the "common European house" concept. UNCTAD might well study the potential influence of this European process on international trade.

153. Recently, some practical steps had been taken to establish relations between the USSR and GATT. At this stage, the USSR was interested in obtaining GATT observer status and in examining the prerequisites for future accession to the GATT. This rapprochement with GATT did not signal a reduction of his country's interest in UNCTAD.

154. Turning to the measures for structural adjustment taken in the USSR, he said that measures taken in 1989 had been directed at social reorientation and financial rehabilitation of the economy. The conversion of the defence industries had also begun. New events had occurred also in his country's external economic relations. More than 13,000 autonomous participants in the external economic sphere had been registered, as well as 1,274 joint ventures with a total capital of more than 2 billion roubles. A new system of foreign trade regulations was being developed. In particular, a new customs tariff was envisaged for 1991. This tariff was based on the Harmonized System of description and coding of goods. The draft customs tariff provided for maintained preferences for goods originating in developing countries, and incorporated MFN and maximal duty rates. The new USSR customs legislation was based on internationally recognized principles and rules. Besides this, new elements of regulation had been implemented in 1989, consisting of registration procedures for participants in external economic relations; declaration of goods moved across the border; licensing of individual exports and imports, including the possibility of a quota system on particular exports and imports. The work on customs foreign-trade statistics was continuing, envisaging the publication of data based on the Harmonized System nomenclature. Steps were being taken to achieve further transparency in the field of external economic relations, including the publication of statistical and other data in an internationally comparable form.

155. He welcomed a fuller UNCTAD involvement in international trade in services, including the preparation of specific studies on different aspects of the related problems. Regarding the impact of technological change on international trade, he considered that elimination of constraints in high-technology exchanges was a direct way of increasing international trade and strengthening its foundations. UNCTAD could continue to focus attention on all aspects of this problem.

156. The representative of Bangladesh said that the LDCs had, throughout the 1980s, witnessed a deterioration in their socio-economic situation. Increasingly, marginalized in the world economy, they had seen their purchasing power steadily decline. The LDCs continued to depend heavily on a few primary products both for their livelihood and for their export earnings. Diversification had been made difficult by tariff escalation, and tariff and non-tariff measures against their manufactured exports. Special commercial policy measures in favour of the LDCs had been taken under GSP schemes, but their benefits had been less than expected because of a rigid application of the rules of origin. Products such as textiles, footwear and leather goods, which were of vital importance to the industrialization of many LDCs, continued to be subject to various non-tariff measures.

157. Bangladesh had introduced, albeit at a social cost, policy reforms with the thrust on privatization, demand management, liberalization of trade, tariff and investment régimes and outward-oriented growth. However, these efforts had not met with external support in the form of increased resources for investment, adequate market access and remunerative prices. Exports of textiles and clothing, which had made fair progress in recent years and were now poised for modest growth, were threatened by a growing use of quantitative restrictions in several important markets, despite the Punta del Este Declaration which provided for standstill and rollback and for special treatment for the LDCs. Structural adjustment was very necessary, both in the developed and the developing countries, but adjustment measures must be humane and should not bear hard on the poor and the disadvantaged.

158. There was an urgent need to implement the Final Act of UNCTAD VII with regard to LDCs. At the Ministerial Meeting of the Least Developed Countries, held in Bangladesh in February 1990, Ministers had urged the developed countries to adopt, inter alia, the following measures to support the development efforts of the LDCs:

(a) Duty-free treatment for all LDCs' exports;

(b) Exemption from the safeguard clause, from product withdrawals and graduation, as well as from quotas and ceilings;

(c) Long-term guaranteed maintenance of GSP commitments;

(d) Application of flexible rules of origin;

(e) Withdrawal of existing restraints on exports of textiles.

159. Finally, he expressed appreciation for the technical assistance provided to his country by the UNDP/UNCTAD project and also for the various measures taken by developed countries in support of the development efforts of the LDCs.

160. The representative of the International Confederation of Free Trade Unions (ICFTU) said that the formulation of international trade policy should pay due attention to the social dimension. ICFTU was committed to promoting the full and universal implementation of international labour standards, which could not be undermined in order to improve competitiveness. Countries that respected trade union freedoms had the right to protect themselves vis-à-vis those which repressed organized labour, which required workers to endure unhealthy or unsafe working conditions, or which put children to work. Therefore, ICFTU strongly supported the inclusion of a social clause in the GATT which - as a measure of last resort - would deny trading privileges to countries which clearly violated the internationally recognized labour standards set by the ILO.

161. Elaborating on ICFTU's views on structural adjustment and the debt crisis, he said that ICFTU had long argued for policies which allowed adjustments to take place with proper regard to such interrelated development considerations as growth, employment, and social welfare. He was aware of the appalling consequences which disregard for such aspects had had for working people in indebted countries throughout the developing world. It was true that there had been encouraging signs in the public declarations of the International Monetary Fund and the World Bank concerning the social aspects of adjustment, but these had yet to be institutionalized in their decision-making processes in a manner which could bring real progress. Neither institution had yet acted upon the need to include trade unions in the formulation and implementation of adjustment programmes.

162. An opportunity for the United Nations system to address all these issues was provided by the preparations for the International Development Strategy for the Fourth United Nations Development Decade. The ILO had emphasized the need to place employment and labour standards at the centre of the Strategy.

Demands for labour market flexibility, which had become a familiar element in programmes of structural adjustment, should be suject to fundamental principles of human rights and minimum labour standards.

163. The spokeswoman for the Group of 77 (India) observed that the Sessional Committee had had a very wide-ranging and fruitful debate on protectionism and structural adjustment and that the many statements had led to a better understanding of the issues. One point raised in many of the statements concerned the coverage of the secretariat documentation on protectionism and structural adjustment. It had been argued that the coverage was focused unduly on the developed countries whereas not enough attention was given to protectionism and structural adjustment in the developing countries. This was a point which had been answered several times, not least in the mandate of the UNCTAD itself. The focus had to be on the developed-country protectionism and structural adjustment policies because these policies had a major impact on their own import capacity. Several developing countries had pointed out the connection between the developed-country policies and the trade and development of developing countries. In maintaining their own import capacity the developed countries naturally enhanced the export prospects of the developing countries and, hence, the success of the trade liberalization measures, economic reforms and structural adjustment undertaken by the developing countries themselves. Furthermore, the debt burden of the developing countries could be relieved by market access granted by developed countries. The developed countries thus had a major responsibility and it was only natural that the focus should be on those countries that bore such a responsibility. But above all, the focus derived from the UNCTAD mandate itself, which was enshrined in Conference resolutions 86 (IV), 135 (V), 159 (VI) and the Final Act of UNCTAD VII.

164. She added that the focus on the policies of the developed countries did not preclude the consideration of the policies and measures adopted by developing countries. In this connection, many developed countries had alluded to the fact that developing countries tended to maintain relatively high tariff and non-tariff measures. It bore repeating that for developing countries, maintenance of tariff and non-tariff measures was a developmental imperative and, in many instances, even a matter of survival. Nevertheless, and notwithstanding the severity of their constraints and handicaps, developing countries had undertaken to liberalize their policies.

165. She pointed out that balance-of-payments problems compelled developing countries to curtail imports on a selective basis in line with their development priorities. Another constraint was the chronic scarcity of foreign exchange, which was due either to the persistent fall in the prices of developing countries' exports, particularly commodities on which they were fully dependent, or to the decline in export revenues caused by market access problems. The dearth of foreign exchange meant that priority had to be given to importing products which enhanced the productivity and growth of their economies; imports of luxury items or of goods for non-productive purposes had to be curtailed. Accordingly, tariff measures imposed by developing countries were an important means of injecting revenue into the economy and of helping the State to assume its welfare responsibilities. Finally, it was natural for developing countries to provide judicious support for their infant industries in order to achieve a degree of self-reliance and indigenous production capacity. After all, the path followed by developing countries was also one which the developed countries themselves had followed in the early stages of their growth and development.

166. In spite of the constraints under which they laboured, it was heartening to see that developing countries had, of their own accord, adopted liberalization policies which were widely acknowledged and appreciated. The liberalization process in developing countries would be frustrated, however, if they were denied effective and adequate market access for their exports in those sectors in which they had developed competitive advantage. Unfortunately, protectionism was intense and widespread in the developed countries, and was particularly so in textiles and in agricultural and tropical products. Moreover, the developed countries directed their non-tariff measures towards the developing countries rather than against one another in their intra-trade.

167. The Director, Co-ordinator of International Trade Programmes, commenting on the debate on agenda item 3, noted that some delegations had pointed out that the exports from developing countries had been growing, as indicated in the secretariat report, and they had drawn the inference that this fact did not support the conclusion that protectionism was growing. But this was simply not so. In the textile sector, for example, exports from developing countries were indeed growing, but it was difficult to cite this as evidence against the existence and rise in protectionism in this sector. It was well

known that this sector had been afflicted by protectionism in the developed countries for nearly a quarter of a century and also that the MFA embodying the managed trade in this sector was becoming more and more restrictive and protectionist every four years. The fact was that there were various factors favouring the growth of exports from developing countries notwithstanding the protectionist measures in importing countries. These included a rise in demand, upgrading of products and higher unit value of exports, and expanded supply capacity of developing countries. One could just as well draw the conclusion that the exports would have been much higher in the absence of the continuing and rising protectionism.

168. The secretariat's observation of protectionism in developed countries was fully based on the information and facts provided in its report. For example, table I.1 in the statistical annex listed as many as 53 non-tariff measures, either newly introduced or renewed since the adoption of the Punta del Este Declaration. Those measures, of course, might have varying degrees of restrictive impact on trade. One delegation had argued that import surveillance was wrongly included in the list, since surveillance would not restrict trade. It was true that the effect of surveillance would not be the same as that of, say, quantitative restrictions. But even a simple measure like surveillance gave signals to importers and exporters of possible impending measures and it built up uncertainty affecting trade. However, even if the surveillance measures, which numbered 7 in the list, were left out, there would still be 46 non-tariff measures which had been either newly introduced or renewed since the Punta del Este Declaration. One could draw comfort from these facts regarding the international trading environment.

169. Some observations had also been made regarding the limited coverage of the tariff and non-tariff measures of developing countries and of their structural adjustment measures. The secretariat had set its analysis in the context of the relevant decisions of the Conference and the Board, in which protection of trade and structural adjustment had been seen as a global phenomenon and the secretariat had been asked to extend the coverage; hence over the past few years materials and analysis had been presented on all groups of countries. But admittedly, the emphasis had been on the protectionism and structural adjustment in developed countries, since these countries accounted for a significant share of world trade. As table II.8 in the statistical annex showed, nearly 70 per cent of the world imports went to

developed market-economy countries. Besides, nearly two thirds of the total exports of developing countries went to the developed market-economy countries. Hence, in examining the prospects for expanding the exports of developing countries, it was imperative that a large coverage be given to the trade policies and trade-related structural adjustment measures of developed countries. It was true that the intra-developing countries' trade was important and held great potential, but this subject was currently being handled in detail in the context of economic co-operation among developing countries.

170. Regarding the policies of developing countries affecting their export supply capability, he recalled that the secretariat had been analysing the relevant issues and had given them a wide coverage in two recent documents, namely chapter V of the Trade and Development Report 1989 and a full section in the secretariat report (TD/B/C.2/229) submitted to the Committee on Manufactures in November 1989.

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DRAFT REPORT OF THE SESSIONAL COMMITTEE

Rapporteur: Mr. Jure Gasparic (Yugoslavia)

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Chapter IV

TRADE RELATIONS AMONG COUNTRIES HAVING DIFFERENT ECONOMIC AND SOCIAL SYSTEMS AND ALL TRADE FLOWS RESULTING THEREFROM

(Agenda item 5)

171. For its consideration of agenda item 5, the Board had before it the following documents:

"Trends and policies in trade and economic co-operation among countries having different economic and social systems" - report by the UNCTAD secretariat (TD/B/1243 and Add.1)

Report of the Intergovernmental Group of Experts on Further Promotion of Inter-systems Trade (Geneva, 27 November-1 December 1989) (TD/B/1244-TD/B/AC.45/2).

Consideration in the Sessional Committee

172. The Director and Associate Co-ordinator of the International Trade Programmes, introducing the item, said that in the present circumstances, with the Soviet Union and other Eastern European countries introducing an increasing variety of market elements into their economies and moving towards fuller integration into the world trading and monetary systems, the question of the differences and peculiarities of inter-systems trade was becoming less meaningful as a subject of intergovernmental discussions than that of how to integrate this issue into the overall theme of international trade. It was evident, however, that the transitional period would take several years and prove rather difficult. In the meantime, the need to promote the expansion of Eastern European countries' trade with the rest of the world, and particularly with the developing world, increased rather than diminished.

173. In introducing the secretariat's report (TD/B/1243) and the statistical annex thereto, he noted that the terminology used might now look somewhat obsolete, but it still had to be based on the relevant UNCTAD resolutions and decisions. In paragraph 105 (26) of the Final Act of UNCTAD VII, the Trade and Development Board was requested to examine the possibility of elaborating a programme for the further promotion of trade and co-operation among countries having different economic and social systems, in particular East-South trade. In its decision 356 (XXXIV), the Board had agreed on the feasibility of elaborating such a programme, and in its decision 368 (XXXV),

it had decided that the Intergovernmental Group of Experts should elaborate the elements of this programme. In the context of the rapid evolution of Eastern Europe as a whole, such a Programme might serve as an interim programme of action for the transitional period. It might also contribute to and even accelerate the process of integrating this topic into the general problematics of international trade. That integration could be pursued at UNCTAD VIII.

174. The Board, in its decision 368 (XXXV), paragraphs 11 and 12, stated, inter alia, that an assessment of the UNCTAD technical assistance programme for the promotion of trade among developing countries and the countries of Eastern Europe, with a special focus on the views of Governments which had benefited from these activities, would be of great importance in making technical assistance more useful and cost-effective, and it requested the Secretary-General of UNCTAD to make the necessary arrangements for such an intergovernmental exercise. A report on the plan of action on the assessment of the UNCTAD technical assistance programme for the promotion of trade with Eastern European countries had been presented to the Intergovernmental Group of Experts, as requested in the above-mentioned decision. The assessment exercise was now in progress, and consultations were also taking place with UNDP, the United Nations economic commissions, ITC, and member countries. In paragraphs 1 and 2 of decision 368 (XXXV), the Board had decided that the consultations of the Secretary-General of UNCTAD, as referred to in paragraph 105 (27) of the Final Act of UNCTAD VII and in paragraph 3 of Board decision 356 (XXXIV), should be carried out as soon as possible. A preliminary report on these consultations had been presented to the Intergovernmental Group of Experts, and the final report was now being presented to the Board.

175. The Chairman of the Intergovernmental Group of Experts on Further Promotion of Inter-systems Trade (Egypt) (27 November-1 December 1989), introducing the report of the Group (TD/B/1244-TD/B/AC.45/2), stated that the Intergovernmental Group had taken place in the midst of the momentous events that had occurred in Eastern Europe. Those events had had a great influence on the work of the Group and, although the Group had been unable to arrive at agreed conclusions, there had been a valuable, fresh and rich exchange of views.

176. He observed that the changes and developments taking place throughout the world, and not only in Eastern Europe, gave grounds for optimism for the future, but that there were many problems and unknown factors affecting the future of inter-systems trade. Thus, it should be borne in mind that there was a need for further strengthening of inter-systems trade, especially East-South trade.

177. The Intergovernmental Group had made progress towards a common outline for the elements of the above programme. The proposals submitted by the spokesmen for the Group of 77 and Group D countries (except Hungary) were annexed to the report of the Intergovernmental Group.

178. Finally, he said that, in the prevailing circumstances, the Intergovernmental Group had not considered that a resumed session of the Group, to be held before the second part of the thirty-sixth session of the Board, as envisaged in paragraph 3 of the Board decision 368 (XXXV), would be timely.

179. The spokesman for the Group of 77 (Egypt) said that the Board's session was taking place in the midst of a process of drastic political and economic change in Eastern Europe and the Soviet Union, with resultant changes in their foreign economic relations. Such changes should not, however, diminish the importance of these countries in the foreign trade of developing countries. Irrespective of their social and economic system, the countries of Eastern Europe remained a geographical region, with developed economies that differed from those of the developing countries, and trade and economic relations between these countries and developing countries should therefore remain a valid area for work by UNCTAD, although that work might take on new dimensions in response to the changes under way.

180. The greater integration of the countries of Eastern Europe into the world economy and the possible reduction in arms expenditure as a result of the rapprochement in East-West relations were positive elements that the developing countries hoped would emerge from the recent developments in the long-term perspective. In the short term, the economic relations of Eastern Europe and the Soviet Union with developing countries might, however, be subject to uncertainty. Even during the transition period, however, the Group of 77 would like trade with Eastern Europe to increase in both value and volume terms, inter alia by means of improvements in the Eastern European GSP schemes and through a reduction in restrictions on trade, with due attention

being given to the needs of the African and the least developed countries. Steps needed to be taken by the Eastern European countries to increase their imports, and in particular imports of manufactures, from developing countries as a means to help balance the trade and redress the export composition of developing countries.

181. The main concern of the developing countries was the question of transfer of resources. This concern arose from the fact that the Eastern European countries might not be in a position to maintain their economic assistance to the developing countries at its existing level. Moreover, it seemed that the developing countries might face a diversion of resources from the West to the Eastern European countries. Much of the attention of bilateral sources and multilateral financial and development institutions was also turning to Eastern Europe. The Group of 77 took note of those developments and hoped that they would not be to the detriment of the developing countries, and in that connection it called for co-ordinated action with the participation of all concerned.

182. With regard to the formulation of further guidelines for the elaboration of a draft programme, the proposal of the Group of 77 was contained in the report of the Intergovernmental Group of Experts (TD/B/1244-TD/B/AC.45/2).

183. The Group of 77 felt that it was important for UNCTAD to keep a number of issues under constant review, namely: developments in the process of integration of East European countries into the world financial and trading systems; its resultant impact on East-South trade per se and the implications of East-West trade and economic relations for East-South trade and economic relations; and its impact on the overall transfer of resources from developed to developing countries.

184. The Group of 77 appreciated the efforts made by UNCTAD with regard to technical assistance activities for the promotion of trade and economic co-operation between developing countries and Eastern European countries. The programme was aimed at filling the gap resulting from the lack of information on possibilities of trading with Eastern European countries. Given the changes which were taking place in the foreign trade systems and external trade relations schemes of Eastern European countries, such activities needed to be strengthened. The Group of 77 urged UNCTAD and UNDP to pursue their efforts in order to provide developing countries with appropriate means of promoting and expanding their trade with Eastern European countries.

185. The spokesman for Group B (United Kingdom), referring to the statement of his Group to the Intergovernmental Group of Experts on Further Promotion of Inter-systems Trade, reiterated his Group's support for the far-reaching changes in Eastern Europe and said that these changes would clearly have an impact on the opportunities for trade and development of the developing countries vis-à-vis the countries of Eastern Europe. The latter countries had shown remarkable determination in diagnosing the weaknesses of their economic and political systems before working to correct them, and this new approach might act as an example and stimulus to others.

186. New ground for debate had been broken by the Intergovernmental Group of Experts. The discussion, and in particular the contributions of the countries of Eastern Europe, had been open, frank and informative. His Group was disappointed, though unsurprised, that the rapid pace of change had made the formulation of a programme of work extremely difficult and agreement on a common outcome impossible, despite genuine efforts. In that connection, the distinction made in UNCTAD between Eastern European and other countries was becoming more unrealistic daily. The advances made during the Intergovernmental Group's meeting should be consolidated, with account being taken of the rapid changes occurring.

187. With regard to the report of the secretariat, his Group would have preferred the use of more tabular and graphic methods. With respect to the principal factors and prospects analysed in the report, the increased integration of the Eastern European economies into the world economy would shape the future of inter-systems trade, and this integration should be reflected in a commensurate integration within UNCTAD, inter alia in the context of the general debate on PSA or services. However, his Group recognized that a fundamental shift of emphasis on this item would require careful consideration by all groups and China. His Group, understanding the difficulties and challenges of the period of transition, considered that the subject of inter-systems trade would remain a valid area of study for UNCTAD, but the organization of the work and the substance should be updated.

188. With regard to the concerns on possible shifts in public and private resources from developing countries to Eastern Europe, his Group welcomed the Secretary-General's reference to the collective and individual statements of OECD countries to the effect that their support for the fundamental changes in

Central and Eastern Europe would not diminish their determination to give high priority to their development co-operation with the third world and that reforms would offer increased trade opportunities for the developing countries.

189. His Group considered that a search for an agreed programme of work for UNCTAD would be counter-productive in the present circumstances, but efforts to monitor the rapid changes taking place and to offer guidance to the developing countries on the effects of these changes would be both challenging and rewarding.

190. The representative of Hungary said that his delegation had already made known at the last meeting of the Intergovernmental Group of Experts its position on the concept of inter-systems trade and the non-applicability of that concept to Hungary. His country had always provided information on recent developments in its economy, and that information provided ample proof that there were no "systemic" or other differences which would warrant a specific examination of trade and economic relations between Hungary on the one hand and all developed market economies and all developing countries on the other. The trade flows in question were integral parts of world trade and were governed by the same multilateral rules and disciplines. Hungary had been committed to these multilateral trade rules and disciplines for quite some time.

191. As for his country's social system, the process of creating a democratic State would culminate in the free multiparty parliamentary elections which would be starting in a week's time. Consequently, the concept of inter-systems trade made no sense in the case of Hungary, either for economic or for political reasons.

192. As a result of this, Hungary was no longer in a position to take part in any UNCTAD activities based on the "inter-systems trade" approach. This was a strong point of principle and not a matter of renaming a certain subject or putting it elsewhere on the agenda.

193. The integration of Hungary into the world economy meant intensified trade and economic co-operation with all countries, developed and developing alike. The Hungarian Government remained committed to improving economic relations, both bilaterally and multilaterally, and it remained convinced that problem-specific areas within the competence of UNCTAD (e.g. interdependence, debt, protectionism and structural adjustment, commodities, manufactures, etc.)

constituted the appropriate frameworks for the secretariat and the intergovernmental machinery to take into account the relevant features of and developments in the Hungarian economy. Particular problems and opportunities for trade expansion should be analysed in that context, and the Hungarian delegation would then be in a position to make comments on documentation prepared by the secretariat.

194. Finally, the Hungarian delegation requested the UNCTAD secretariat to exclude Hungary from future documentation to be prepared on the subject in question.

195. The representative of Poland said that the momentous and deep changes that were now taking place in Poland would inevitably lead to increased openness in the Polish economy and to its greater integration into the world economy. They would also create opportunities for enhanced and broadened economic interaction with foreign countries. Poland intended to expand its trade and economic relations with all countries of the world, including of course developing countries.

196. The profound and far-reaching systemic changes in Poland that had transformed it into a fully fledged liberal market economy within a very short period of time had obvious implications for the country's participation in the deliberations on agenda item 5. Poland did not consider itself to be a country with an economic system different from that which prevailed in the majority of countries in the world, be it in the North or in the South. As a result, Poland was not in a position to participate in the deliberations on agenda item 5 within the traditional UNCTAD framework as a country having a different economic system from the one prevailing in most of the countries of the world. It should be noted in this connection that Poland had not participated in the meeting of the Intergovernmental Group of Experts in November 1989. This did not mean, however, that the Polish delegation was not willing to discuss Polish trade and economic relations with other countries, including developing countries, under other agenda items. In this connection, the Polish delegation asked the secretariat of UNCTAD to ensure that, in any future studies or documents presented by it, Poland was not classified as a country with a different economic system from that of the majority of other countries of the world or in any equivalent category.

197. The representative of Czechoslovakia said that his country was an original Contracting Party to GATT. Since it was part of that system of principles, rules and disciplines of international trade, and given the political and economic changes it had already implemented or initiated, Czechoslovakia could no longer be regarded as a centrally-planned economy; it was in the process of transition towards a pluralistic democracy, and it did not consider itself to be a country with a different economic and social system. As a result, Czechoslovak external trade and economic relations could not be considered in the context of "Trade among countries having different economic and social systems" and they should be dealt with in the general framework of world trade and world economic relations. Finally, he said he was convinced that the market-oriented policy reforms introduced in Czechoslovakia and its integration into the world economy would increase its potential for mutually advantageous trade and economic co-operation with all countries, both developing and developed alike.

198. The representative of the German Democratic Republic stated that his delegation appreciated the difficulties the secretariat had faced in preparing the documentation on this item, in view of the currently fast-changing circumstances in Eastern Europe. Growing economic integration and interdependence among countries was gaining importance and new challenges were arising for all countries, which demanded a flexible approach. The fundamental changes in the political, social and economic systems in East European countries were closely related to those processes. It was his delegation's view that the replacement of the inefficient centrally-planned economy by a free enterprise system, based on a competitive market economy, called for a reconsideration of his country's place and role in the world economy and in world trade. The agreement not to establish a separate sessional committee on agenda item 5 at the current session of the Board was a pragmatic recognition of the fact that East-West-South trade relations were an integral part of world trade. In the interest of strengtheing UNCTAD's role in promoting trade and development in all its aspects, it would be undesirable either to maintain a separate item on inter-systems trade or to handle this question in special intergovernmental organs of UNCTAD. This should already be taken into account in the preparatory process for UNCTAD VIII.

199. It was in the context of global adjustment processes aimed at improving international economic relations in their entirety that the German Democratic Republic would engage in future UNCTAD efforts to solve problems of trade and development, with due attention to the interests of the developing countries.

200. The representative of China observed that East-West had continued to grow after a sluggish development in the first part of the 1980s. East-South trade also continued to grow, although the share of the developing countries in the imports of the socialist countries had decreased. East-South trade was a small part of world trade and needed to be expanded. Moreover, East-South trade was still very unbalanced and geographically narrow, indicating a potential for significant growth and diversification. She further noted that in 1988 the East-European countries, and particularly the Soviet Union, had increased their development assistance to the developing countries. Some of them had improved their GSP schemes, and this had played a certain role in promoting trade between the East and the South. She was of the opinion that the changes taking place in the Soviet Union and the East European countries would lead to further development in East-West trade, and she hoped that this would not have a negative impact on East-South trade. On the contrary, the structural adjustments in these countries should open up new opportunities for East-South trade to the benefit of the developing countries. It was most important to ensure that the technological and economic co-operation between East and West as well as the financial flows from the West to the East did not have a negative impact on the financial flows from the West to the developing countries.

201. Referring to the work of the Intergovernmental Group of Experts, she regretted that the Group had not been able to discuss the elements of a draft programme for the further promotion of inter-systems trade, and that the meeting had failed to achieve the expected results. However, she felt that it would still have the possibility to explore the elements of the programme in the light of the new situation in Eastern Europe in order to adopt measures to promote East-South trade.

202. She also wished to see UNCTAD's technical assistance in inter-systems trade continued and intensified in order to help the developing countries to accelerate their trade and development. As to the future work of the secretariat, she believed that UNCTAD was still the appropriate forum for the consideration of this item and that it should focus on studying and analysing

the implications of the economic and structural changes occurrying in East European countries on the prospects for the trade and development of developing countries, with a view to promoting East-South trade.

203. The representative of Bulgaria said that the decision not to consider agenda item 5 in isolation amounted to a recognition that all trade flows were an integral part of international trade. In Bulgaria, economic reforms had started in the 1960s, but their implementation had encountered a number of problems. Since the mid-1980s, many efforts had been made to speed up the transformation to a market-oriented economy and, beginning in November 1989, a profound reform of Bulgarian society aimed at pluralistic democracy and a market-oriented economy had been gathering momentum. In the light of these fundamental changes, the separate consideration of Bulgaria's trade relations with developed market-economy countries and developing countries under the heading "countries having different social and economic systems" had lost its relevance. Accordingly, trade flows between Bulgaria and all other countries, being an integral part of international trade, should be discussed in future in the context of the general problems of international trade. He urged UNCTAD to draw appropriate conclusions, in line with the new realities. A realistic approach in this respect would strengthen UNCTAD's role in promoting trade and development. In future intergovernmental discussions and in the research work of the secretariat, all relevant aspects of Bulgaria's trade and economic development should be viewed in the context of the Eastern Europe region and as a part of the general activities of UNCTAD.

204. Finally, he stated that the profound economic restructuring of the Bulgarian economy and its full integration into the world economy would offer broad opportunities for greater trade and economic co-operation with all countries, irrespective of their level of development, especially in the medium- and long-term perspective.

205. The representative of the Union of Soviet Socialist Republics said that far-reaching changes were taking place in both the economic and the political spheres of the countries of Eastern Europe, drastically altering many settled notions. It was the task of this session of the Board to react opportunely and adequately to all these challenges. He thanked the UNCTAD secretariat for its important and useful work in the field of inter-systems trade, including the practical benefit of technical assistance activities, carried out in accordance with requests by member States.

206. He said that the course towards full integration into the world trading system and active participation in the international division of labour were the main factors governing the USSR's approach to the promotion of trade and economic relations with other countries. Since analogous developments were taking place in other countries of Eastern Europe, the consideration of the trade and economic relations of these countries with other States in the framework of common problems of the world trading system was to the fore. He shared the opinion of the Group of 77 about the necessity and importance of UNCTAD's work on trade promotion between developing countries and the Soviet Union. He added that UNCTAD, as a universal organization, was expected to take a universal approach to problems considered within its mandate. The USSR was ready to consider any aspect whatsoever of its trade and economic relations with any member State, and UNCTAD should continue to make its contribution in this domain.

207. The representative of Romania, noting that Romania was classified as a socialist country of Eastern Europe in the secretariat documentation on item 5, recalled his delegation's statement on item 3, to the effect that Romania was a developing country and member of the Group of 77, and that it was in the process of transforming itself into a market economy. He therefore requested that henceforth, in its documents and analyses, the secretariat should not include Romania in the socialist countries of Eastern Europe.

208. The spokesman for Group B (United Kingdom), referring to the statements by Hungary, Poland and Czechoslovakia on this item, said that his Group welcomed these statements and reiterated its support for the courageous process of reform undertaken by these countries. His Group recognized the validity of their request to the secretariat that they no longer be listed as socialist countries for the purposes of this item. Their decision not to participate in the discussion as now structured underlined the need for urgent consideration of the future of this issue. Group B recognized that, for the developing countries, UNCTAD's consideration of their trade with East European countries had continuing validity as part of the debate on trade and development issues carried out in UNCTAD. In response to the concerns of the Group of 77, the secretariat could, for example, embark on a programme of national case studies to examine - with the agreement of the countries concerned - the progress of the reform processes.

209. The representative of the Islamic Republic of Iran said that the political and economic changes which were taking place in Eastern Europe and détente in East-West relations would result in a significant expansion of East-West economic relations. In this process, he was concerned with the specific interests of developing countries and the role and mandate of UNCTAD in the area under consideration. Before the recent changes, East-South trade and economic relations had been based on bilateral arrangements. However, such a mechanism failed to give total satisfaction, in particular with regard to the full utilization of the possibilities which the partners could offer each other. The removal of State monopoly and the economic liberalization in Eastern Europe would have a negative effect, in the short and medium run, on developing countries, if no appropriate measure were undertaken on a bilateral and multilateral basis - in particular in the framework of UNCTAD. The mandate and competence of UNCTAD in this field were more than ever pertinent and the role of UNCTAD in promoting the interests of the developing countries should be strengthened. The research activities, adoption of appropriate measures for trade expansion and the technical assistance activities of UNCTAD needed to be intensified. With a view to expanding his country's trade with Eastern Europe, he hoped that his country could benefit from UNCTAD's technical assistance activities in this field.

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Sessional Committee

DRAFT REPORT OF THE SESSIONAL COMMITTEE

Rapporteur: Mr. Jure Gasparic (Yugoslavia)

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Chapter III

OTHER ISSUES FOR CONSIDERATION BY THE BOARD AS MANDATED IN GENERAL ASSEMBLY RESOLUTION 1995 (XIX), AND IN THE CONTEXT OF THE RELEVANT PROVISIONS OF THE FINAL ACT ON INTERNATIONAL TRADE, AS WELL AS OTHER PERTINENT RESOLUTIONS OF THE GENERAL ASSEMBLY AND THE CONFERENCE:

(a) THE IMPACT OF TECHNOLOGICAL CHANGE ON PATTERNS OF INTERNATIONAL TRADE;

(b) THE IMPLICATIONS OF BILATERAL ARRANGEMENTS AND REGIONAL ECONOMIC INTEGRATION, ESPECIALLY THOSE WHICH HAVE A MAJOR IMPACT ON GLOBAL TRADE, IN PARTICULAR ON THE TRADE AND DEVELOPMENT OF DEVELOPING COUNTRIES

(Agenda item 4)

210. For its consideration of sub-item 4(a), the Board had before it the following document:

"The impact of technological change on patterns of international trade" - note by the UNCTAD secretariat (TD/B/1246).

211. For its consideration of agenda item 4(b), the Board had before it the following document:

"The implications of bilateral arrangements and regional economic integration, especially those which have a major impact on global trade, in particular on the trade and development of developing countries" - report by the UNCTAD secretariat (TD/B/1242).

Consideration in the Sessional Committee

212. The Director, Co-ordinator of International Trade Programmes, introducing the item, said that TD/B/1242 represented the first effort to analyse some of the implications of integration arrangements. The secretariat's analysis focused on the EEC's 1992 Single Market and the United States-Canada Free Trade Agreement, in view of their weight in the world economy and international trade. With regard to the market access effects stemming from the EEC 1992 Programme and the United States-Canada FTA, the trade diversion on balance was likely to be of greater importance for exporters of manufacturers from developing countries. In the EEC, it could be anticipated that there might be pressures for a drift towards restrictive trade policies. There would be a need for determined resistance to such pressures. Positive outcome of the Uruguay Round on issues of particular concern to developing countries would go some way towards allaying the fears regarding the adverse

effects of 1992 process. The trade diverting effects of the United States-Canada FTA were likely to be greatest in labour-intensive products. Fast-growing exporters of manufacturers in developing countries were likely to suffer from trade diversion more than others. With regard to the systemic implications of integration arrangements, he underlined the difficulty of reconciling the desirability of promoting trade liberalization through closer integration with the GATT objective of non-discrimination. Since most of the issues were interrelated and had systemic implications, they could better be tackled in a multilateral context. At the same time, he noted that there might be strong economic reasons for small and weak economies to come together in regional groupings which were not likely to have adverse effects on others.

(a) The impact of technological change on patterns of international trade

213. The spokesman for the Group of 77 (India) stated that technological change was at the heart of far-reaching transformation, and it had had a deep impact on all areas of economic activity. The growing interrelation between technological developments and patterns of international trade had become particularly evident during the 1980s. The gap between developing and developed countries had increased in the 1980s because inadequate levels of technological capacity had caused a deteriorating trade competitiveness in the developing countries whereas developed countries had enjoyed an ever-improving competitiveness. Developing countries, with very few exceptions, were not equipped to enter this phase of competition. He noted that technological change had undermined the traditional comparative advantage of developing countries in raw materials and in sectors such as textiles, steel and light manufacturing. Developed countries were making quantum leaps through technological progress in conjunction with the changing position of world manufactures trade, which threatened to diminish developing countries' prospects. Technology played a similarly prominent role in the fast growth of international trade in services; and in new and emerging technologies, technology had a central role in reshaping production and trade. Technological change had created new advantages which could cancel out traditional factors of competitive advantage, such as natural endowments and cheap labour. Export capabilities were closely linked to imports of technology and the developing countries' indebtedness had a long-term negative effect, as countries could not use export receipts to acquire technologies in order to strengthen their future export prospects.

214. He said that in the current technology market, which was overwhelmingly a suppliers' market, developing countries had to pay a high price for technology. Also the availability of technology only in packages - technical and commercial lock-ins, the practice of transfer pricing and a plethora of restrictive business practices employed in transfer of technology transactions with developing country firms - posed problems. In some instances developing countries were denied access to certain types of technologies. These problems of technology acquisition had acquired a serious dimension with the growing perception among the developed countries and owners of technology that technology was a strategic asset which must be guarded and kept out of the hands of potential trade competitors. In this manner, developed countries were able to appropriate internationally the new knowledge and to protect this property from encroachments. They were thus able to create new markets and to penetrate potential markets in order to recover R & D investments rapidly and to create new avenues for profits.

215. With regard to the negotiations on a draft international code of conduct on the transfer of technology, he expressed anxiety that the current impasse was undermining the years of dedicated work by both developed and developing countries.

216. He stressed that, in view of their increasing competitive disadvantage, developing countries should be granted expanded and preferential market access for their exports of commodities, manufactures and services. Regarding intellectual property protection and technology transfer - issues considered in the context of TRIPs, TRIMs and services - higher priority should be given to the interests and objectives of the technologically underdeveloped economies and nothing should be incorporated which would increase and perpetuate the technology and trade disadvantages of developing countries. Developing countries themselves needed to provide financial resources to acquire technologies, finance indigenous R & D and manpower development. Other measures, such as the financing and facilitation of technology transfer, participation in public-financed R & D, the encouragement of foreign direct investment, were necessary complements to improve the trade prospects of developing countries.

217. The spokesman for Group B (Netherlands) stated that his Group attached great importance to the question of the impact of technological change on development. He recalled that his Group's preliminary reaction on the

secretariat note (TD/B/1246) submitted to the thirty-fifth session of the Board had been one of serious doubt concerning some of the conclusions reached by the Secretariat. He said that chapters I and II of this note described theoreticaly well-examined and well-documented trends which warranted closer attention. These included the shift in competitive positions of different countries in high-technology items, and the parallel realignment of their relative standing in innovative capacity. He pointed out that attempts by the industry in the originating country to innovate continuously in order to prevent erosion of its position did not prevent a shift in comparative advantage from occurring in practice. The assumption that innovation in the so-called declining industries could impede the shift in comparative advantage was therefore wrong. International specialization was not prevented by the pursuit of more efficient production. Although the note contained useful descriptions of the changes in international trade patterns as a result of the application of new technologies, he regretted that parts of the analysis and conclusions were often based on unwarranted assumptions. Referring to chapters III and IV of the note, he said that, while it was true that, through the application of technological innovation and managerial skills, a temporary comparative advantage could be created, experience and history did not seem to indicate that this was the exclusive privilege of the developed countries. Technological progress followed successive stages and was a long-term process requiring a stable and conducive environment. The choice of technology, including the decision to acquire it from foreign sources or to develop it domestically, might depend on the stage of development and size of the country. The optimal market-based technology policy would therefore vary from one developing country to another. The need to design government policies to attract vital productive foreign direct investment seemed to have been somewhat overlooked in the secretariat note.

218. His Group considered it was essential to hold a debate on development to examine the impact of technological change in the context of the realities described above. Free competition - if necessary reinforced by national competition law - was an appropriate way to deal with any abuse of dominant position that might occur. National intellectual property legislation could furthermore help in securing the right balance between the interests of the technology providers and those of the users, for instance by providing for an adequate coverage and a reasonable period of time for which intellectual

property rights were granted. Public policy objectives of national systems for the protection of intellectual property might also require a strengthening of intellectual property protection in order to provide for adequate incentives for investment in R & D and technological innovation which ultimately resulted in economic and social progress. The globalization of markets and competition required an extension of this strengthening on an international scale.

219. Referring to paragraph 14 of the note, he said that it would be useful to look at the experience of those developing countries that had been successful in making the best use of the opportunity to acquire and develop technology and to try to derive lessons from their experience. In this connection, he recalled the request made in paragraph 2 (i) of resolution 32 (VII) of the Committee on Transfer of Technology and said that Group B believed it would be more useful and appropriate to take up the substantive intergovernmental consideration of the questions raised in his statement at the eighth session of the Committee in January 1991.

220. The representative of China said that technological innovation had become an important determinant in the competition to gain an advantageous position in the world economy. In view of the challenge posed by the swift technological development and unbalanced pattern of international trade, she suggested that developed countries should take practical and well-oriented measures to assist developing countries in coping with the difficulties. These measures included, inter alia: assistance to developing countries in diversifying their products; transferring their traditional industries to developing countries in order to strengthen the export capabilities of the latter in manufactures; greater direct investment in developing countries, including the relevant funding arrangements such as export credits; and softening of the terms of transfer of technology.

221. She also suggested that UNCTAD should provide technical assistance to developing countries in training technical personnel and formulating relevant laws regulating the technology transfer. In addition, UNCTAD should actively encourage the adoption and implementation of international measures, in particular, its continued efforts for a Code of Conduct on the Transfer of Technology. Developing countries themselves should also try to overcome difficulties, give priority to the development of their science and technology, adjust their development strategies, rectify the structure of their production and raise labour productivity.

222. Finally, she said that the development of China's trade and technology called for not only continued domestic efforts, but also the improvement of the external economic environment and the correction of other unfavourable factors.

223. The representative of the European Economic Community commended the quality of the note by the secretariat (TD/B/1246) on this sub-item. He observed that some countries were more able than others to generate new product innovations that shifted demand patterns in their favour. The influence of technological change on international trade in raw materials and manufactures had now been largely recognized and the role of technology in international competitiveness seemed to be well documented. Regarding competitiveness, he pointed out that the ability of a country's firms to generate innovations did not necessarily imply that they would ultimately profit the most from them, because winning the greatest share of the market in the long run depended not only on being first to commercialize the innovation but also, perhaps more importantly, on possessing or on having favourable access to a number of complementary technological assets such as the capacities in manufacturing, marketing and after-sales service. There were yet other functions, referred to in paragraphs 14 and 26 of the note, which had contributed to the transfer of technology in developing countries. The importance of technological innovation and diffusion had often led governments to adopt, in various fields, policy measures which could have negative effects on the multilateral trading system. For this reason, it was necessary to establish a dialogue for setting up the bases for an international arrangement with a multilateral guarantee. Multilateral trade negotiations under the Uruguay Round had been dealing with some of these problems, such as TRIPs.

224. Technological change was both the fruit of an effort to overcome the natural constraints imposed on economic forces and of a continuous search for better living standards and new horizon. The benefits of technology were due to R & D efforts, and continued progress demanded an adequate remuneration for those efforts. The protection of intellectual property rights and the repression of infringement of those rights were fundamental not only to the industrialized countries but also to all countries. At the same time, the international community ought to aim at ensuring the diffusion of technological knowledge. Entities with the ability to use and disseminate technology were looking for new producers and users and were interested in the

transparency of the investment régimes of host countries. Since those countries were, in turn, interested in the transfer of technology, it should be possible to find solutions beneficial to both parties. A climate that was conducive to investment flows would help to promote corresponding technology flows. Experience showed that the establishment of a climate and conditions that encouraged the flow of investment and technologies helped to stimulate domestic innovation and economic growth. Recognizing that developing countries, including the least developed countries, had their own development objectives, he felt that a multilateral system designed to strengthen the process of technological development ought to take account of their concerns by ensuring the respect of international rules and disciplines.

225. The spokesman for Group D (Czechoslovakia) stated that the effects of technological change of international trade in the 1980s had included rapid expansion of exports of manufactures in those countries which had achieved technical progress and declining raw-materials intensity in finished products. Some countries were better able to generate new product innovations than others and had succeeded in capturing a higher market share thanks to cost advantages over competitors. Some technologically advanced developing countries had implemented programmes promoting innovation and industrial research. However, the policy efforts of most of the developing countries were constrained by shortages of resources and a weak domestic technological base. The process of innovation could be fostered to a great extent through liberalization of foreign investment and technology transfer. All the countries without exception should have had equal opportunities for access to new technologies enabling them to achieve competitiveness in the international markets. Governments should implement suitable national policies by creating, inter alia, a favourable climate in which the external factors could play an important role.

226. The rising importance of technology as a determinant of the positions of countries in international trade called for an open and fortified trading system that offered opportunities to all countries to enlarge their indigenous technological base and to increase their participation in international trade. Technologically weak countries needed also international assistance and an increased flow of technology.

227. The representative of Romania, referring to the note by the secretariat, underlined the rising importance of technology as a determinant of the relative positions of countries and firms in the world economy and the fact

that the ability of a country's firms to capture market share depended less on its relative endowment of traditional factors of production than on its level of technological development. Technological underdevelopment, resulting from the debt crisis, terms-of-trade deterioration and balance-of-payment problems, had an unfavourable impact on the competitive positions of developing countries. The technological gap between these countries and developed ones would justify preferential treatment for the former. His country had adopted measures aimed at the establishment of a favourable climate for innovation and the application of new technologies, including through foreign investment. In parallel with national efforts, it was essential to broaden the scope of international co-operation in order to ensure an improved transfer of technology to developing countries and to strengthen their technological capabilities. Specific measures that could be taken included the elaboration of a legal framework favourable to technology transfer to developing countries and ensuring a balance of interest between parties; enhancement of the capacity to import through increased export earnings and favourable market access; and increased flow of financial resources in support of technological development. He called upon UNCTAD to continue its work in assisting developing countries to take advantage of new technologies and to contribute to the establishment of an international environment conducive to the technological progress of these countries.

228. The representative of Indonesia said that technological change had become a strategic element of economic growth and export performance. During the 1990s, there would be a shift in attention from quantitative to qualitative aspects of the transfer of technology, and the full impact of new technologies, such as biotechnology and new materials, would become apparent. International régimes should be established to facilitate access to new technology for developing countries. Such access was at present hampered by rigid intellectual property rights, high transfer costs and protectionism, and in that regard the finalization of the International Code of Conduct on Transfer of Technology was important. International organizations should support institutional mechanisms to strengthen developing countries' research and development activities and establish international centres for new technologies in developing countries. Developing countries could initiate industry-specific programmes at the regional and subregional levels. Finally, improved market access and facilitated transfer of technology were closely related and important issues.

(b) The implications of bilateral arrangements and regional economic integration, especially those which have a major impact on global trade, in particular on the trade and development of developing countries

229. The spokeswoman for the Group of 77 (India) provided data in support of the view that the EEC 1992 process and the United States-Canada Free Trade Agreement would have a profound impact on the functioning of the international trading system and on the balance of advantages and disadvantages for developing countries. Regarding the voluminous intra-trade of EEC, she feared that this trend would continue and intensify at the expense of the rest of the world after 1992. The extent to which the EEC 1992 Programme would be trade-creating would depend on the extent to which the Community took into account the trade and development interests of developing countries. She pointed to the temptation to pass on the costs of structural adjustment to the developing countries, especially in sectors in which the latter had a comparative advantage. The developing countries were concerned at the Community's statement that reciprocity would be the guiding principle of its external trade policy. It had been said that the developing countries would not be asked to make concessions which were beyond their means, but the concentration of market power within the European market would tend to put the developing countries' enterprises at a disadvantage. The developing countries lacked countervailing power and could face discrimination. They could also face problems with regard to EEC common standards, which might be set higher than those in certain member States. The harmonization of tax régimes and the rules of origin were other areas of critical importance for developing countries. She discussed in detail the trade-diversion and trade-creation implications of 1992 for developing countries' manufactured and commodities exports. Referring to a projected rise of 6 per cent in EEC imports from developing countries of primary commodities, minerals and agricultural raw materials, she underlined the possible effects on demand elasticities of the 1992 process itself. She stressed the need for the Commission to adopt appropriate policies, if the claim that there would be an increase of about 15 per cent in developing countries' manufactured exports was to be made good. The degree of trade creation or trade diversion would depend on whether the Community replicated the extremely restrictive quotas imposed in some member States or adopted a liberal approach.

230. She said that the Uruguay Round had been reduced to one aspect of the EEC's concerns and preoccupations and had of necessity to fit into the mould of the 1992 Programme. Developing countries had little to be happy about in the general and specific position taken by EEC with regard to the market access issues in the Round. EEC tended to insist on reciprocity from developing countries in various areas. The Community's proposal on the textiles and clothing sector would put in jeopardy the industrial development, exports and development of the developing countries. Its advocacy of a selective safeguards régime had raised apprehensions among weaker trading partners. EEC's positions on agriculture needed to take into account the interests of developing countries as exporters and importers. In the areas of TRIPSs, TRIMs and services, she urged EEC to show a greater understanding of the developmental imperatives of developing countries. The Group of 77 expected that the EEC would help to give operational effect to the principle of special and differential treatment of the developing countries. Various preferential arrangements of EEC for developing countries needed to be improved in the context of the 1992 Programme. Policies relating to ODA should result in additional resources, especially in view of the increase in GDP that would accrue from the 1992 Programme.

231. Turning to the United States-Canada Free Trade Agreement, she stressed the possible trade diversion in textiles and apparel. There was also a need for the United States and Canada to make improvements in their GSP schemes. Referring to the approach of the two countries in the Uruguay Round, she said that their agreement on services left out certain sectors which were considered vital by the other parties. In her view, they could not expect developing countries to open up their economies to the point where they would be smothered by powerful foreign competition. The situation was similar with regard to TRIMs where the United States was seeking a total prohibition on all performance requirements, but in the FTA certain requirements like transfer of technology were allowed to remain.

232. Analysing the systemic implications of the integration process, she noted that the proponents of the related agreements had argued that they were in keeping with Article XXIV of the GATT. In her view, the integration and free-trade groupings of already strong and developed economies could fragment the multilateral trading system and tend towards the erection of barriers to third-country trade. Further consolidation of developed economies into

powerful trading and economic blocs would accentuate the imbalance between those economies and the considerably weaker developing ones. If the trend towards trading blocs was not to inhibit the emergence of a truly universal international trading system, necessary checks and balances would have to be incorporated in the related agreements and the trade and economic interests of non-participants would have to be guaranteed. At the same time, it should be recognized that integration groupings of developing countries were desirable because they contributed to their collective strength and compensated for the weakness of their national economies.

233. The spokesman for Group B (Netherlands) noted that the secretariat had concentrated on two out of the many bilateral and regional trading arrangements in existence: the European Economic Community's 1992 Programme and the United States-Canada Free Trade Agreement (FTA). Future work on the impact of bilateral arrangements and regional economic integration should also include other arrangements which were relevant to the international trade. He pointed out that some crucial decisions on how the EEC's 1992 Programme would be implemented had yet to be taken and the United States-Canada Free Trade Agreement had come into effect only recently. The two arrangements were different both in scope and objective and could therefore have differing effects on third-country trade and on potential investment flows. However, he emphasized that effective regional integration efforts leading to increased economic growth should have substantial trade-creating effects. As long as such arrangements were integrated into the multilateral trading system, they could play a useful role as precursors of further liberalization and trade expansion worldwide. Under the above conditions, such arrangements should impart dynamism to global trade and enhance trade and development possibilities for all countries, including developing countries. The question of whether arrangements reviewed by the secretariat fell under the purview of Article XXIV of the GATT should be left to GATT, as should the interpretation and implementation of that Article.

234. The spokesman for Group D (USSR) said that this issue was rightly considered to be one of the most important problems of international trade and development, since reciprocal trade within the major economic groupings amounted to more than 78 per cent of world exports, and participating countries represented more than 74 per cent of world production. The growing integration process was thus increasingly affecting the development of

international trade, and in particular the export trade of various countries and their economic groupings. Since this phenomenon was likely to have an even greater influence in the 1990s, the work of UNCTAD on economic integration in developed and developing countries and its implications should be strengthened and developed.

235. The representative of Canada said that the secretariat report (TD/B/1242) approached the question of the trade-creation versus the trade-diversion effects of the Canada-United States Free Trade Agreement prudently. On the possibility of trade diversion in the apparel sector, he said that there was no evidence that trade diversion had occurred in this sector because of the Free Trade Agreement, or that access of developing countries to Canadian markets had been more restricted. The rise in imports of clothing from developing countries - by 4 per cent on a volume basis in 1989 - tended to support the view that the Agreement would, in general, be trade-creating for third countries. The analysis by the independent Conference Board of Canada showed that the FTA would result in a small net increase in Canadian imports from Caribbean countries in the 1990s, and possibly in a rise in Canadian investments in those countries. The Department of Finance study indicated that imports from third countries might rise as a result of the income gains to Canada. In Canada's view, bilateral or regional arrangements were to be encouraged as long as they achieved real, significant reductions of trade barriers among participants and raised no new barriers against third countries, and provided they were consistent with the GATT. He encouraged the secretariat to devote continuing attention to the potential gains in output and exports which developing countries could realize through a similar substantial lowering of barriers and securing of access to other developing-country markets, as well as the markets of developed countries.

236. The representative of Australia supported the formation of regional groupings which assisted the promotion of international economic growth and development, and were consistent with the principles of trade liberalization and the GATT. However, regional groupings designed to promote the interests of their members at the expense of the international community, excluding competition from outside, went against the multilateral free trading policies pursued over the past four decades. In particular, regional integration should not discriminate against developing countries. In this respect, the Asia/Pacific Economic Co-operation (APEC) closely involved the interests of

developing countries on a regional basis. Its basic objective was to enhance consultations and analysis of issues affecting the economy of the Asia/Pacific region in order to sustain the region's economic dynamism and in turn contribute to the growth and development of the global economy. The region would also be able to project its interests more effectively in wider economic forums. To this end, Ministers of Trade from participating countries would be meeting to review progress in the Uruguay Round. APEC did not involve the formation of a regional trading bloc. Rather, APEC aimed to encourage the potential for further liberalization of trade and focusing on a range of related economic issues, including the transfer of technology and the development of human resources.

237. The representative of Sri Lanka said that the need for self-reliance had resulted in a move towards the formation of trading blocs. It was difficult to assess the impact which those blocs might have on other countries, but regionalism by itself tended to be inward-looking and could cause fragmentation. Properly conceived, regional groupings could cause higher trading activity not only among their members but also with the other regions. Assuming that world trade could be expanded through negotiations among similar trading groups, it would be in their best interest to try to achieve their goals in multilateral forums.

238. The representative of the Council for Mutual Economic Assistance (CMEA) reported on results of the forty-fifth session of the Council for Mutual Economic Assistance, held in Sofia from 9 to 10 January 1990. At that session, the Council had stressed the necessity of a decisive modernization of the whole system of mutual co-operation and of the multilateral co-operation mechanism within CMEA, including revision of its functions and objectives through the elaboration of a new charter. A special commission had been set up to consider proposals on the fundamental issues of co-operation within CMEA and to prepare the drafts of new CMEA basic documents.

239. The representative of China, after analysing the problems which the developing countries were facing in an interdependent world economy, said that the growing trend towards regional economic integration among the developed countries and the frequent resort to bilateral arrangements might pose a potential threat to such small and weak trading partners like the developing countries. He shared the concerns expressed by those countries which were not part of any grouping. Regional economic integration should not be detrimental

to the principle of multilateral trade liberalization, nor should it have an unfavourable impact on global trade or, in particular, on the trade and development of the developing countries. If the development of regional economic integration could contribute to economic co-operation throughout the world or to the revitalization of the world economy, and if it promoted the economic growth and development of the developing countries, it should be welcomed. He hoped that, when making regional arrangements, the developed countries would take account of the interests of the developing countries, provide them with enhanced market access and give them preferential treatment. China was willing to join other countries in efforts to maintain and strengthen a liberal and open international trading system. In his view, UNCTAD should carry out in-depth studies on the impact of regional economic development on international economy and trade and on its possible impact on the exports of the developing countries.

240. The representative of India fully endorsed the points made in the statement of the spokesman for the Group of 77 regarding systemic and practical implications of integration arrangements. India had so far seen the integrationist changes in the EEC, the United States and Canada as more of a challenge than an opportunity.

241. Regarding the EEC's 1992 Programme, India was co-operating with the European Community through various projects in such areas as exchange of information and experts to adjust Indian standards to the new standards of the European market; the establishment of a technology information centre in New Delhi to provide up-to-date information on indigenous and European technologies; industrial co-operation in certain fields, including possible co-operation between Indian enterprises and European small- and medium-size enterprises; sectoral co-operation between associations and enterprises in areas such as medical and surgical instrumentation, machine tools and the mini-steel sector; intra-industry co-operation between European firms and Indian firms with respect to components, ancillary equipment and sub-assemblies; joint operations and joint ventures in third-country markets; and the establishment of a forum to disseminate information on trends and policies of the Community and to expand co-operation in different fields.

242. In the formulation of Community standards in respect of industrial and other goods, the EEC should keep in mind the interests of developing countries in terms of the impact on the ability of these countries to export to the

Community. Regarding investments, EEC policy should incorporate incentives to promote private investment in developing countries through such measures as investment guarantee schemes and institutional equity support. In transfer of technology, the EEC could evolve and devise appropriate policy measures to oversee the RBPs of European multi-national companies that adversely affected developing countries.

243. With respect to the United States-Canada FTA, trade diversion could occur in some manufactured exports, especially textiles and apparel. Although it was too early to draw definite conclusions, both the United States and Canada needed to remain vigilant and make improvements in their GSP schemes in order to provide at least the same level of market access for products of export interest to developing countries.

244. The representative of the European Economic Community said he could not accept a pessimistic view of the consequences for developing countries of the European Community's 1992 Programme. The EEC would not pass the costs of structural adjustment on to the developing world or demand an "admission price" for access to the EEC market. The guiding principle in the EEC's external trade was trade liberalization. The Uruguay Round had the same objective. The two processes were therefore complementary and mutually reinforcing and strengthened the EEC's commitment to a successful outcome for the Round.

245. The capacity of developing countries to take advantage of opportunities depended on their economic structure and level of development and on their own initiatives. Those developing countries with a flexible production capacity would be the ones in the best position to take advantage of the enlarged European market. There would of course be greater competition in the EEC market, but the weakest trading partners would receive special consideration and support under the EEC development policy. Thus, Lomé IV comprised both a preferential trade régime for African, Pacific and Caribbean countries and measures to encourage private investment and to develop business. New orientations were being defined for Community co-operation with Asia and Latin America.

246. With regard to the residual national quantitative restrictions and application of Article 115 of the Treaty of Rome, he stressed that the Community's firm objective was to liberalize. However, there were a few sectors which might require particular measures, although any such measures would be limited in time and degressive.

247. Regarding the harmonization of standards, the 1992 requirements would, for most products, be based on mutual recognition of standards among member States. An exporter would thus have the possibility of choosing the member country legislation which suited him best. The same system would apply to testing and certification. In cases of increases in levels of health, safety, environmental and consumer protection, the EEC would co-operate closely with its trading partners, particularly with developing countries, through existing technical co-operation arrangements.

248. To put the integration of the Community on the same footing as a free trade agreement or even to describe it as a trade grouping was misleading, as the integration of the Community was much wider than the creation of a single market. Fears that the Community could be inward-looking and might shift the burden of adjustment to third countries were wholly unfounded. In fact, extra-EC imports had grown faster than intra-EC imports since 1986, and the volume of the Community's manufactured imports from developing countries had increased progressively since 1981. He rejected a description of Community trade as being managed, since the Community was a market economy. There was no link between EC anti-dumping policy and 1992; the Community would not use its anti-dumping legislation to reduce the effects of 1992, and there had been no recent rise in the number of anti-dumping investigations.

249. With reference to chapter III of TD/B/1242, UNCTAD was not the place to pursue a discussion of Article XXIV of GATT. It sufficed to note that GATT recognized the desirability of increasing trade liberalization through economic integration. Economic integration would not necessarily lead to an erosion of the multilateral trade system or a weakening of its disciplines. If such integration remained based on the multilateral trade system and GATT, it could not be held as a threat to the system. The Community was confident that the 1992 single market would bring benefits to all its trading partners, although some adjustement would be required both in the Community and by its partners. The EEC would pursue and intensify efforts to explain the 1992 Programme to its partners. In this connection, the EEC was deepening its analysis of the potential of 1992, notably for developing countries.